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British Columbia
Financial and Economic
Review

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BRITISH
COLUMBIA

Ministry of Finance

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Introduction

General Description of the Province

British Columbia is located on Canada's Pacific coast, and has a land and freshwater area of 95 million hectares. It is Canada's third largest province and comprises 9.5 per cent of the country's total land area.

Geography

The province is nearly four times the size of Great Britain, 2.5 times larger than Japan and larger than any American state except Alaska. BC's 7,022-kilometre coastline supports a large shipping industry through ice-free, deep-water ports. The province has about 8.5 million hectares of grazing land, 1.8 million hectares of lakes and rivers, and 950,000 hectares of agricultural land that is capable of supporting a wide range of crops.

Physiography

BC is characterized by mountainous topography, but also has substantial areas of lowland and plateau country. The province has four basic regions, a northwesterly trending mountain system on the coast, a similar mountain system on the east, and an extensive area of plateau country between the two. The northeastern corner of the province is lowland, a segment of the continent's Great Plains.

The western system of mountains averages about 300 kilometres in width and extends along the entire BC coast and the Alaska panhandle. The Coast Mountains contain some of the tallest peaks in the province. The western system includes the Insular Mountains that form the basis of Vancouver Island and the Queen Charlotte Islands. These islands help to shelter the waters off the mainland coast of BC, which form an important transportation route for people and products.

The interior of the province is a plateau of rolling forest and grassland, 600 to 1,200 metres in average elevation. North of Prince George the interior becomes mountainous, but plateau terrain returns just south of the Yukon boundary in the area drained by the Liard River. The southern interior's water system is dominated by the Fraser River, which has a drainage area covering about one-quarter of the province. The Rocky Mountains, in the eastern mountain system, rise abruptly on the southern BC–Alberta boundary and are cut by passes that provide dramatic overland transportation routes into the province. The Rocky Mountain Trench lies immediately to the west of the Rockies. This extensive valley, the longest in North America, is a geological fault zone separating different earth plates. It is the source of many of BC's major rivers, including the Peace, Columbia and Fraser.

Climate and Vegetation

Coastal BC has abundant rainfall and mild temperatures associated with a maritime climate. The Pacific coast has an average annual rainfall of between 155 and 440 centimetres, while the more sheltered coasts of eastern Vancouver Island and the mainland along the Strait of Georgia average between 65 and 150 centimetres. Canada's longest frost-free periods of over 180 days per year are enjoyed along the edges of the coastal zone and far inland along the Fraser River valley. Temperatures fall quickly up the steep slopes of the Coast Mountains. The predominant trees in this coastal region are the western hemlock, western red cedar and balsam (amabilis fir) in the wetter parts, and Douglas fir and grand fir in the drier areas.

BC's interior region has a mainly continental type of climate, although not as severe as that of the Canadian prairies. Considerable variation in climate occurs, especially in winter, as mild Pacific storms bring relief from cold spells. The southern interior has the driest and warmest climate of the province. In the valleys, annual precipitation ranges from less than 30 centimetres to 50 centimetres, while daily temperatures can average over 20 degrees Celsius in July and just under freezing in January. The climate becomes more extreme further north and precipitation increases. The frost-free period in the north is short and variable. Lodgepole pine is the dominant tree of commercial value in the interior.

The northeast region of the province is an extension of the western prairie region of Alberta. It has a continental climate that is more extreme than that of the northern interior region. However, it does have long hot summers and a frost-free period long enough to grow grain, forage and other crops.

Population

British Columbia is the third largest Canadian province in terms of population, which was estimated at 4.2 million persons or about 13 per cent of Canadians on July 1, 2004. British Columbia's population grew at an average annual compound rate of 1.0 per cent between 1996 and 2004, slightly faster than the growth of the Canadian population as a whole.

Vancouver, a principal Canadian shipping, manufacturing and services centre, has the largest urban population in British Columbia and was the third largest metropolitan area in Canada with a population of 2,132,824 persons in 2004. Victoria, the capital of British Columbia, is located on Vancouver Island and its regional district had a population of 346,522 persons in 2004.

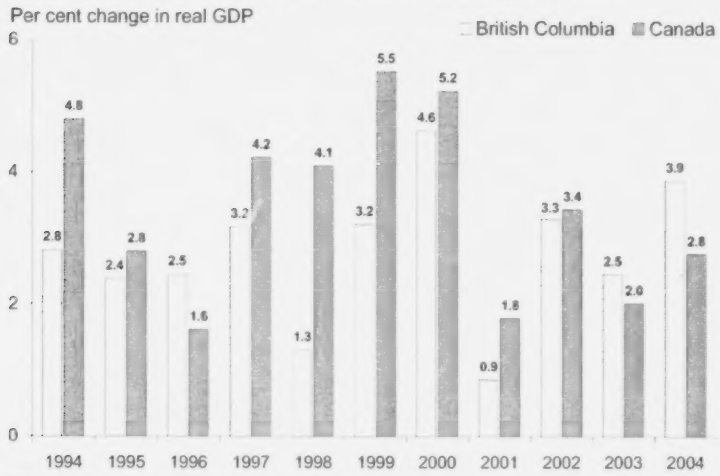
Chapter One
Economic Review[1]

[1] Reflects information available as of June 1, 2005.

2004 Overview

The British Columbia economy expanded by 3.9 per cent in 2004, after growing 2.5 per cent in 2003. The goods-producing sector outperformed the service sector due in large part to robust international demand for BC resources. Wood product manufacturing and residential building construction contributed more to the growth of the economy than any other industry.

Chart 1.1 Canada and British Columbia economic growth



Source: Statistics Canada; April 2005

Consumer spending on goods and services was strong in 2004. The housing sector also recorded another dramatic increase, propelled by continued low mortgage rates and high demand. The number of people employed in the province rose faster than the size of the labour force and as a result the unemployment rate fell to 7.2 per cent.

External Environment

The global economy was very strong in 2004, growing at 5.1 per cent overall. The US economy was robust throughout the year, posting annual growth of 4.4 per cent. Developing countries expanded at a rate of 7.2 per cent in 2004, with countries such as China, Singapore, Hong Kong and India leading the world in growth.

United States Economy

Economic developments in the United States during 2004 suggested the underlying momentum remained strong. The economy expanded by 4.4 per cent, supported by continued robust advances in household spending and strong business investment. Labour market conditions improved significantly overall and the unemployment rate fell 0.5 percentage points to 5.5 per cent.

The growing US trade deficit continued to affect the US current account balance in 2004. Real imports of goods and services expanded at a faster rate than exports and the trade deficit reached a record $618 billion in 2004. The growing current account and government deficits put downward pressure on the US dollar.

Canadian Economy

In Canada, real GDP advanced 2.8 per cent in 2004, up from the 2.0 per cent growth in the previous year. Final domestic demand increased 3.9 per cent, after rising 3.6 per cent in 2003. Economic growth slowed towards the end of the year, after picking up momentum in the second quarter.

Exports rose 5.0 per cent despite the continued strength in the Canadian dollar, and imports expanded by 8.1 per cent.

Nominal corporate profits surged 18.7 per cent during the year. This helped real business investment expand 6.9 per cent with big gains in residential and machinery and equipment investment.

Employment growth in Canada slowed to 1.8 per cent in 2004, compared to 2.4 and 2.3 per cent in 2002 and 2003 respectively. The construction sector hosted many of the new jobs during the year, while the manufacturing sector continued to be a point of weakness for employment.

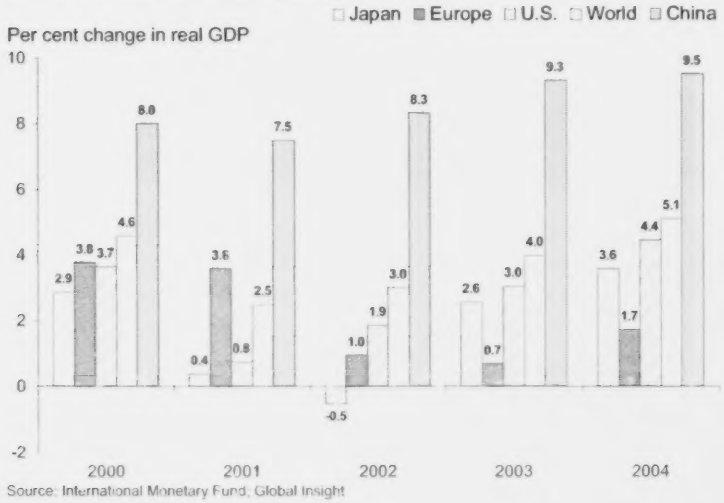
Low interest rates and robust demand continued to drive the housing market in 2004, as the number of new housing starts expanded 6.9 per cent over the previous year's level. Retail sales increased 4.7 per cent, with much of the strength in furniture and home improvement stores. The slow pace of auto sales continued to hinder retail trade growth.

International Economy

Overseas, economic conditions improved in Japan during the first half of the year, but slowed during the second. Japanese real GDP rose 3.6 per cent in 2004, its best performance in several years.

Elsewhere, the European economy expanded at 1.7 per cent. Despite the overall weakness in the European economy, the rate of expansion still improved upon the previous two years.

Chart 1.2 External economic growth



Source: International Monetary Fund, Global Insight

The International Monetary Fund estimates that world growth in real gross domestic product rose from 4.0 per cent in 2003 to 5.1 per cent in 2004. Rapidly expanding Asian economies are the leading cause for the high growth rate. China's economy grew by a vigorous 9.5 per cent in 2004, after expanding by 9.3 per cent in 2003. Economic growth in India came in at 7.3 per cent in 2004, and the Commonwealth of Independent States expanded by 8.2 per cent over the year.[2]

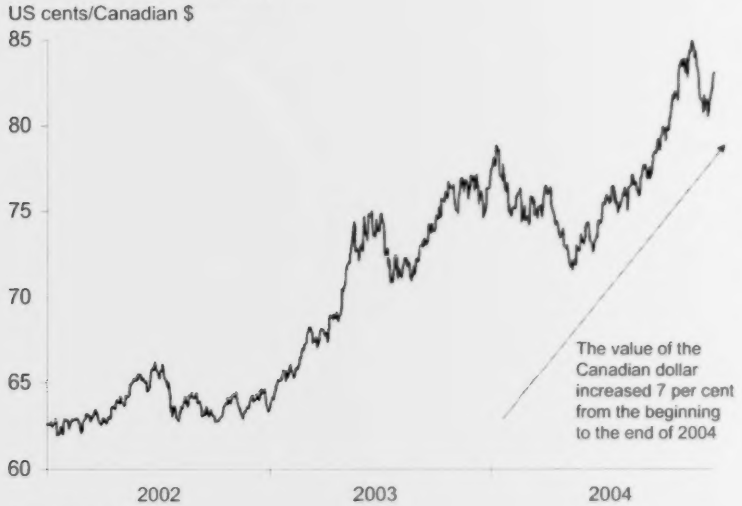
Financial Markets

The Bank of Canada's overnight target rate fell from 2.50 to 2.00 through the first quarter of the year, stayed steady through the second and third quarters, then rose back up to 2.50 during the last quarter. The US federal funds target rate was held at its historical low of 1.00 per cent through the first half of 2004, then increased steadily through the last half, ending the year at 2.25 per cent.

The steady upward movement in US interest rates during the second half of the year reflected the Fed's improved views on labour markets and economic activity, and their stance on keeping inflation contained.

The value of the Canadian dollar continued to rise against a weakening US dollar throughout 2004. The loonie averaged 76.8 cents US last year, up 5.5 cents US from 2003. In November of 2004, the Canadian dollar noon-rate peaked at 84.9 cents US.

Chart 1.3 Canadian dollar



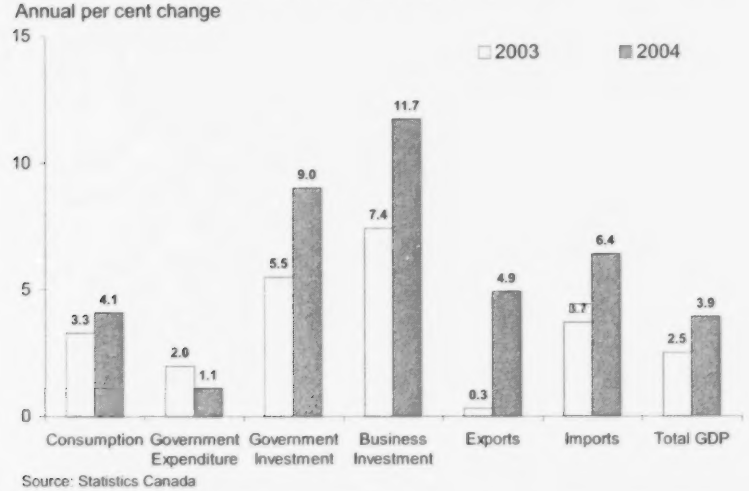
Source: Bank of Canada

[2] The Commonwealth of Independent States includes Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

British Columbia Economy

The British Columbia economy grew 3.9 per cent in constant dollar terms in 2004, following a 2.5 per cent increase in 2003. The strength in 2004 was observed in both BC's domestic and export markets.

Chart 1.4 British Columbia real GDP by component



Source: Statistics Canada

Real consumer spending was strong in 2004 with a sizable rise in the demand for goods, and continued strong demand for services. Residential investment expanded at 14.8 per cent for the second consecutive year, with annual housing starts increasing 25.8 per cent over the level observed in 2003.

With another surge in residential construction, strong foreign demand for BC wood products and high lumber prices, the province's wood product manufacturers had an exceptional year. The nominal value of shipments of BC wood products rose by 31.3 per cent to a total $13.0 billion. Overall, BC manufacturing shipments grew by 13.5 per cent to a record $42.2 billion in 2004.

Total employment rose 2.3 per cent while the labour force expanded by 1.3 per cent in 2004. This caused the annual unemployment rate to fall from 8.0 to 7.2 per cent.

Real business investment soared 11.7 per cent in 2004, due to a 14.8 per cent increase in residential construction and a 20.0 per cent surge in machinery and equipment investment. Despite exports rebounding to 4.9 per cent growth after weak 0.3 per cent growth the year before, imports continued to expand at a faster rate, which caused a further decline in BC's trade balance. The sharp rise in machinery and equipment investment led to some of the rise in imports due to capital purchases from other provinces and countries. Most of the expansion in government investment was due to infrastructure projects in the utilities and education sectors.

[1] GDP estimates are based on Statistics Canada's preliminary Provincial Accounts for 2004, released in April 2005. Further information on British Columbia's economic performance will be released in November 2005, when Statistics Canada releases revised GDP data for 2004 and previous years.

Investment figures for 2004 include spending on major capital projects across the province including:

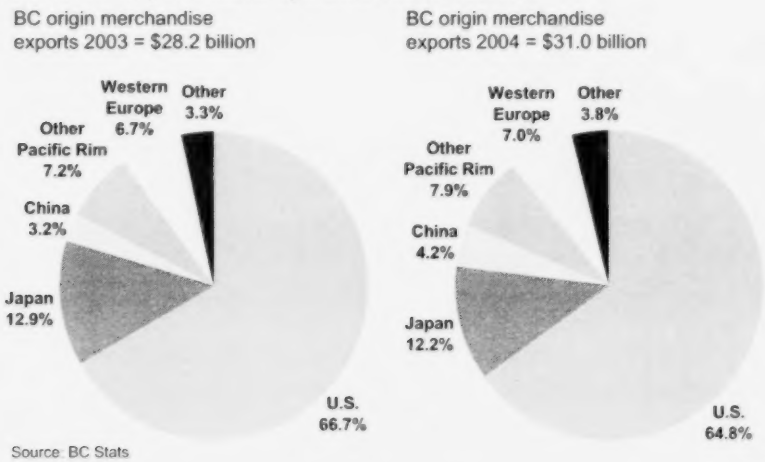
- SFU's Surrey Central City Campus;
- UBC's Life Sciences Centre;
- Abbotsford Regional Hospital and Cancer Centre;
- Sea-to-Sky Highway;
- Brilliant Dam power expansion;
- Vancouver convention centre expansion project.

Exports

The value of BC's current dollar foreign merchandise exports rose 10.1 per cent in 2004. Exports to the US, the province's largest trading partner, increased 7.1 per cent, largely due to a rebound in the value of forestry exports. The value of exports to Japan rose 4.2 per cent, recovering from a 5.4 per cent drop in 2003. Exports to the Pacific Rim, excluding Japan, surged 27.4 per cent led by rapid growth in the value exports to China and Hong Kong. Exports to other Asian countries such as India and South Korea also saw significant gains during the year. Exports to Western Europe also rose 16.1 per cent. Appendix Table A1.7 provides further detail on exports by major market and commodity.

As a result, the US was the destination of a slightly smaller share of British Columbia exports in 2004, accounting for 64.8 per cent. Japan's share fell from 12.9 to 12.2 per cent. The Pacific Rim (excluding Japan; including China, Hong Kong, India, Taiwan, South Korea, etc) received 12.1 per cent of BC's exports, up from 10.5 per cent in 2003 (see Chart 1.5).

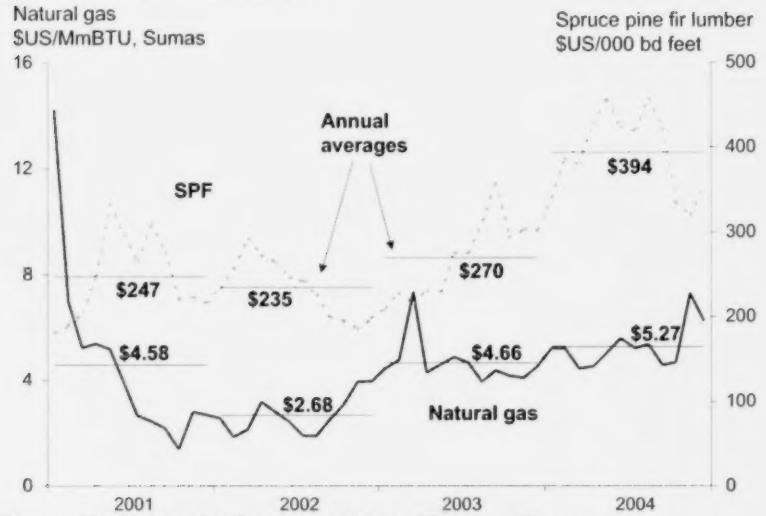
Chart 1.5 Export shares by market, 2003 and 2004



Source: BC Stats

Strong external demand and high commodity prices were the main reasons for the boost in the value of exports in 2004. The high value of the Canadian dollar put some downward pressure on exports, but not enough to restrain the expansion led by demand and prices.

Chart 1.6 Key commodity prices



Source: Madison's Lumber Reporter and Ministry of Energy and Mines

Current dollar metallic mineral product exports surged by 36.6 per cent to $2.1 billion in 2004, which more than offset a 6.8 per cent drop in energy exports. The value of wood product exports rose 22.1 per cent to $10.1 billion, while pulp and paper exports increased 5.8 per cent to $5.0 billon. The key forest product prices increased significantly in 2004:

- Lumber prices averaged $394 U.S. per thousand board feet in 2004, up significantly from $270 U.S. in 2003.
- Pulp prices averaged $616 U.S. per tonne in 2004, up from $523 U.S. in the previous year.
- Newsprint prices also rose, averaging $549 U.S. per tonne, compared to $501 U.S. per tonne in 2003.

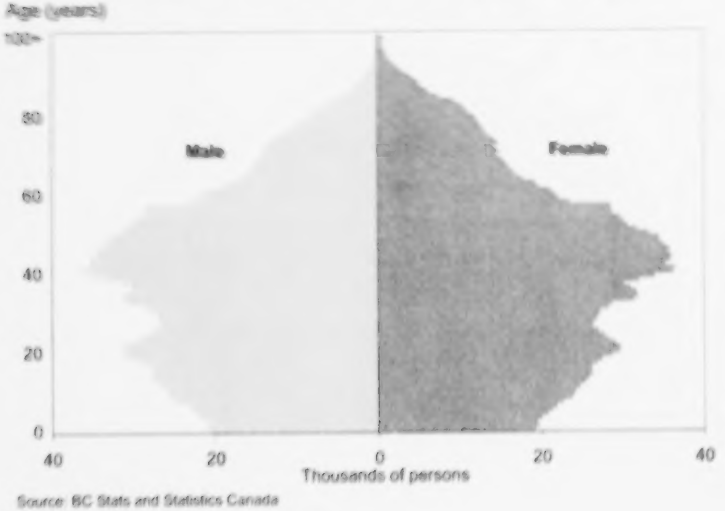
Population

Historically, British Columbia's population has grown faster than Canada's due to net inflows of people from the rest of the country and a large number of immigrants from other countries. Between 1998 and 2002 however, the province's population growth slowed due to a net outflow of people to other parts of Canada. This trend was brought to an end in 2003, as BC gained 3,747 net migrants from other provinces. This continued in 2004, with an additional 7,080 interprovincial migrants. Including international migration, British Columbia welcomed 35,556 net migrants into the province in 2004.

Map 1.1 Net interprovincial and international migration in BC, 2004

British Columbia's population is continuing to age. The baby boom generation is currently between their early 40s and late 50s (see chart 1.7). Over the next several years there will be a significant increase in the portion of the population that is retired. The bust generation (born from a period of lower birth rates) is currently in their mid 20s to early 30s, with the baby boom echo generation around 20 years old right now.

Chart 1.7 British Columbia population by age and sex, 2004



Source: BC Stats and Statistics Canada

Labour and Income Developments

Annual average employment rose by 2.3 per cent, or 45,500 jobs, in 2004. Overall employment in goods-producing industries rose by 4.7 per cent, or 19,300 jobs. The number of people employed in the construction sector rose by 24,300 jobs, or 20.7 per cent. The manufacturing industry expanded by 2,700 jobs, or 1.3 per cent. These gains were partially offset by job losses in the primary industries, with the forestry industry accounting for the biggest decline with 6,100 fewer jobs than in 2003.

Overall employment in the service industries grew 1.6 per cent in 2004. The accommodation and food service industry added a considerable number of jobs to the economy, employing an additional 12,900 people compared to 2003. The number of people employed in finance, insurance and real estate rose by 4.1 per cent, or 5,200 positions over the year. The most significant job loss on the service side occurred in the education and wholesale trade sectors (see table A1.5 for more details).

The provincial labour force expanded by 1.3 per cent in 2004 after 2.2 per cent growth the year before.

Table 1.1 British Columbia Population and Labour Market Statistics

	Units	2000	2001	2002	2003	2004
Population (as at July 1)	(thousands)	4,039	4,078	4,115	4,152	4,196
	(% change)	0.7	1.0	0.9	0.9	1.1
Net Migration						
International	(persons)	29,266	35,979	28,321	27,913	28,476
Interprovincial	(persons)	-14,783	-7,276	-5,216	3,747	7,980
Labour Force	(thousands)	2,079	2,082	2,144	2,191	2,219
	(% change)	0.7	0.1	3.0	2.2	1.3
Employment	(thousands)	1,930	1,922	1,960	2,014	2,060
	(% change)	1.9	-0.4	2.0	2.8	2.3
Unemployment Rate	(%)	7.2	7.7	8.6	8.0	7.2

Source: Statistics Canada

Prices and Wages

The British Columbia Consumer Price Index (CPI) increased by 2.0 per cent in 2004 after rising by 2.1 per cent in 2003. Tuition costs increased the most of the index's categories, rising an average 21.1 per cent in 2004 following the 23.1 per cent hike in 2003. Gasoline prices were up 10.6 per cent, and homeowners saw an average 15.5 per cent increase in homeowner's insurance premiums in 2004.

Table 1.2 Price and Earnings Indices

	Units	2000	2001	2002	2003	2004
Consumer Price Index (British Columbia)	(1992=100)	113.3	115.2	117.9	120.4	122.8
	(% change)	1.9	1.7	2.3	2.1	2.0
Average weekly earnings	($)	638.7	648.1	668.2	683.8	686.6
	(% change)	1.9	1.5	3.1	2.3	0.4
Labour income	($ millions)	68,360	70,044	72,790	75,141	78,509
	(% change)	6.8	2.4	3.9	3.2	4.5
Personal income	($ millions)	107,624	110,066	113,021	116,125	120,907
	(% change)	6.1	2.3	2.7	2.7	4.1
Corporate profits (pre-tax)	($ millions)	11,596	11,767	11,300	12,568	16,703
	(% change)	24.6	1.5	-4.0	11.2	32.9

Source: Statistics Canada

Wages, salaries and supplementary labour income increased 4.5 per cent in 2004, reflecting employment growth, and increases in average weekly earnings. This led to an increase in total personal income of 4.1 per cent. Corporate profits had a strong boost in 2004, rising 32.9 per cent due in part to high demand and prices for BC resources.

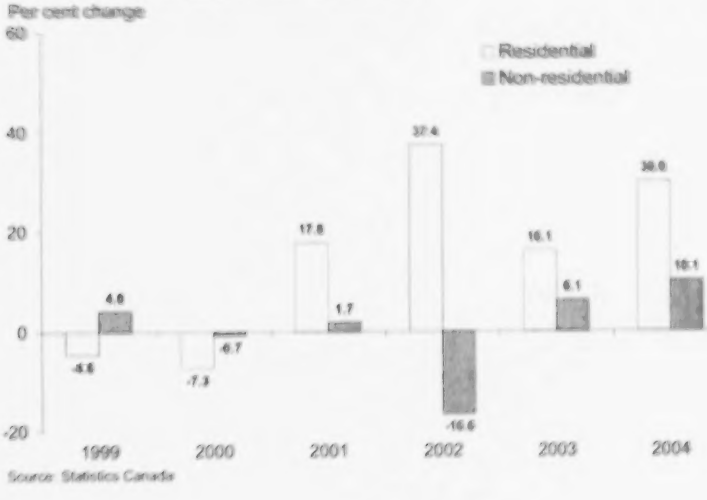
Consumer Expenditure and Housing

Real consumer spending picked up to a 4.1 per cent growth rate through the year due to strong demand in both the goods and services sectors. Growth in the goods side was bolstered by the total value of retail sales rising 6.3 per cent in 2004, more than double the pace observed in 2003.

Housing starts soared in the province through the year as demand rose and mortgage interest rates remained at historical lows. For 2004, housing starts totalled 32,925 units, a 25.8 per cent increase from 2003.

As a result of the strong housing market, the value of residential building permits rose 30.0 per cent to $5.9 billion. The continued housing sector boom resulted from a combination of several factors. Another year of strong employment growth, very low mortgage rates, the scarcity of dwellings available for rent or sale together created exceptional conditions that attracted consumers to the new home market. The value of non-residential building permits also rose 10.1 per cent to $2.1 billion.

Chart 1.8 Building permits by activity



Source: Statistics Canada

Industrial Structure and Performance

The province's rich endowment of natural resources and their development historically formed the backbone of British Columbia's economic structure. In the past, the economy was largely based on primary and secondary forest production. Other natural resource sectors, such as agriculture, mining (including oil and gas) and fishing (including aquaculture) also contributed significantly.

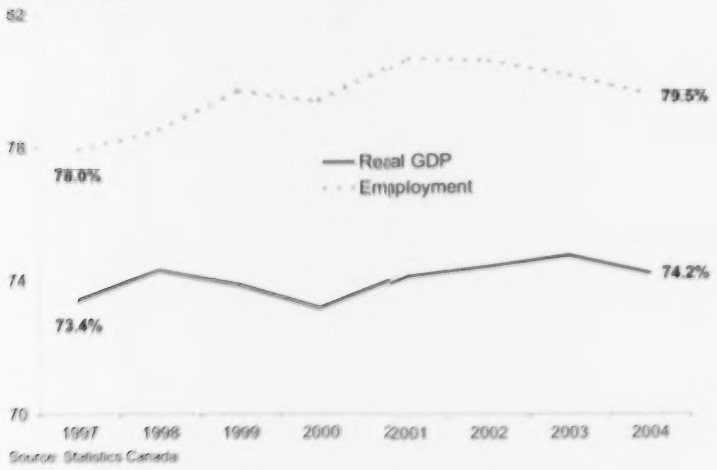
With abundant natural resource-based products and a population too small to support local production of a full range of manufactured goods and associated services, the province specialized in certain sectors, relying heavily on international and interprovincial trade for the exchange of goods and services. This meant that economic activity in many sectors was sensitive to developments in world markets and fluctuations in international commodity prices.

In recent years, a more diversified economy emerged, supported by many non-resource activities such as film, tourism, high-technology industries including software and biotechnology, and other value-added industries. The British Columbia economy matured into a more broadly based structure that became less vulnerable to changes in international markets for natural resources.

In 2004, growth in the goods-based sectors outpaced the services side. The forestry and logging industry expanded 15.9 per cent with strong foreign demand and high commodity prices. GDP in the construction sector grew 8.6 per cent in 2004, largely driven by a surge in residential construction. The manufacturing sector also saw strong growth in the year, with real GDP rising 7.8 per cent over the level achieved in 2003 (see Table A1.3 for further detail).

Service-producing industries still generated about three quarters of the total provincial gross domestic product in 2004. Industries within the service sector include: transportation, communications and storage; wholesale and retail trade; finance, insurance and real estate; community, business and personal services; and public administration and defense.

Chart 1.9 Service industries in BC



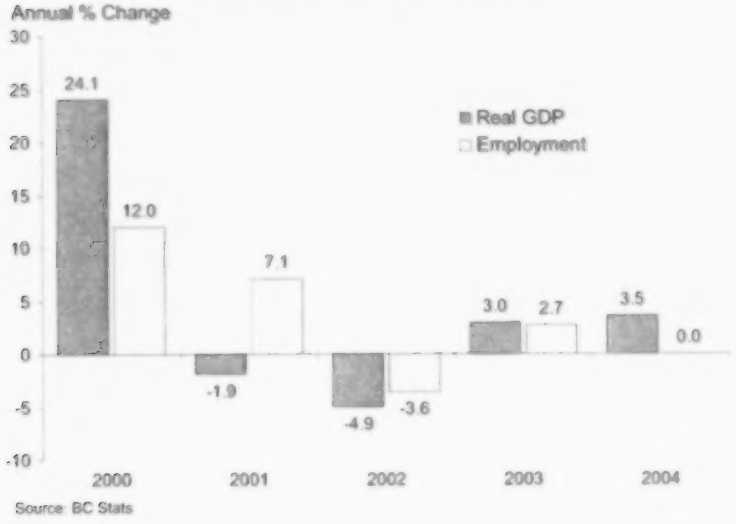
Source: Statistics Canada

High Tech

The high technology sector is a leading performer in British Columbia's economy, outperforming other sectors in revenue, employment, and wage and salary growth in most years. The global meltdown in high tech in 2001 also affected British Columbia's high technology industries. The sector has been recovering from the slowdown, with stronger growth in both 2003 and 2004.

Real GDP generated by the high tech sector rose by 3.5 per cent in 2004 to $5.7 billion, compared to 3.9 per cent growth for the provincial economy as a whole. Revenues expanded by 5.3 per cent, and wages and salaries were up 2.7 per cent. The total number of people working in the province's high tech sector increased slightly to 45,038 jobs in 2004 (see Table A1.14 for further detail).

Chart 1.10 Trends in high technology sector in BC

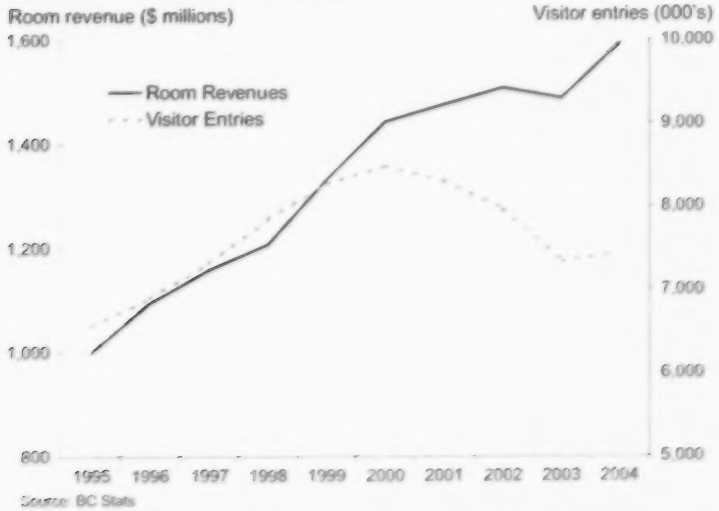


Source: BC Stats

Tourism

The tourism industry was hit hard in 2003 from the rapid appreciation of the Canadian dollar and other shocks (such as forest fires and SARS) that kept travelers away. The number of visitors entering the province in 2004 rose 1.5 per cent, marking the first increase in entries since 2000. Total room revenues increased by 7.1 per cent over the year.

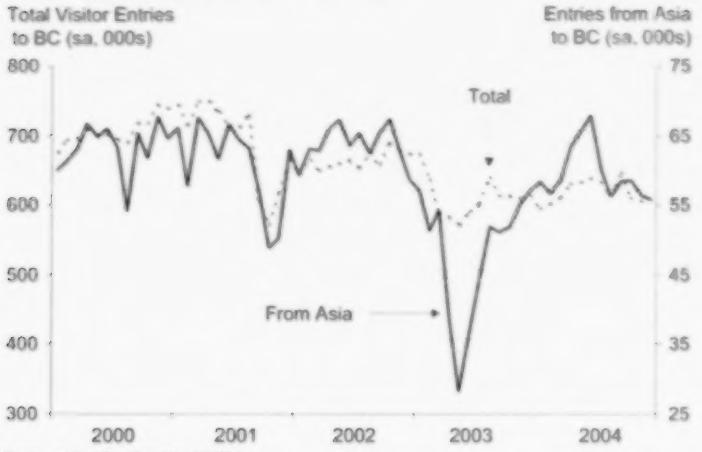
Chart 1.11 BC Tourism industry



Source: BC Stats

The number of visitors from Asia suffered a significant decline in 2003 following the SARS outbreak. However, visitor entries from Asia swiftly rebounded, rising 23.9 per cent in 2004.

Chart 1.12 Visitor entries from Asia



Sources: Statistics Canada, BC Stats

Revitalizing the Economy

British Columbia is committed to building a strong and vibrant economy characterized by new investment, new job opportunities and a higher standard of living for British Columbians. Some aspects of the strategy that have been implemented are discussed in this section.

Deregulation

As part of the deregulation initiative, more than 143,000 net regulatory requirements were eliminated between June 2001 and June 2004, providing greater flexibility and making the province an attractive location to do business.

The province is already reaping the benefits of deregulation. Key achievements include:

- Streamlined liquor licensing and related administration to improve public safety and reduce red tape for businesses;
- Amended the Workers' Compensation Act to be more flexible and responsive to the needs of workers and employers;
- Reviewed over 3,000 fees and licenses across government, many affecting small businesses. Forty-three per cent have been eliminated, consolidated or devolved;
- Introduced a new Securities Act to replace the existing overly prescriptive securities law requirements with a more streamlined and results-based approach to securities regulation;

- Modernized and streamlined real estate legislation that will ensure that the real estate sector can more quickly respond to changes in the marketplace in order to serve consumers better; and
- Passed a new BC Safety Act that modernized the BC safety system by streamlining its regulatory environment and reducing the number of regulations, creating flexibility to achieve safety objectives at lower costs.

Transportation Infrastructure Plan

The government continues to make progress on last year's multi-year transportation infrastructure plan. Major capital projects are underway across the province.

An effective highway system is reliable and allows goods and services to move through the province efficiently. Rehabilitation, such as repaving, extends the life of our existing provincial highways and bridges and keeps maintenance costs to reasonable levels.

The government is presently engaged in several infrastructure capital projects including the *Sea to Sky* highway improvement project, the Okanagan Lake Bridge and oil and gas roads in Northeastern BC.

Forestry Policy Reform

The forest industry remains a cornerstone of the British Columbia economy. In 2003, legislation was passed that fundamentally changed the way the forest sector is managed. These changes include the reallocation of timber rights and market-based policy reforms to forest tenure and revenue administration. The objective is to create a more competitive, dynamic forest industry that will contribute sustainable well-paying jobs to BC's economy.

Progress was made in moving to a market-based stumpage system with the launch of market-based pricing in the coastal region on February 29, 2004. The Forest and Range Practices Act and its regulations were brought into force on January 31, 2004. The Act creates a streamlined, science-based, results-oriented regulatory approach to conserve forest and range resources, protect human health and key habitats and to ensure effective enforcement.

To address the mountain pine beetle epidemic in British Columbia, the Chief Forester increased the Allowable Annual Cut by 4.9 million cubic meters in the Price George, Lakes and Quesnel timber supply areas.

Energy Plan

In 2003 the government unveiled a new energy plan designed to capitalize on BC's competitive advantage in energy. The plan set out to ensure continued low electricity rates and public ownership of BC Hydro, secure and reliable energy supply, more private sector opportunities and environmental responsibility and no nuclear power sources.

The government is developing an Alternative Energy Strategy to complement the Energy Plan. The strategy will embody initiatives to advance emerging new energy resources, encourage innovation in energy technology and continue BC's leadership in energy efficiency and conservation.

Oil and Gas

BC's potential oil and gas reserves are immense. In May 2003, the government announced the Oil and Gas Development Strategy to promote all-season oil and gas activity, attract industry investment, and generate revenue. During 2004, there was an increase in both natural gas production and the number of wells drilled, and the government is working towards infrastructure initiatives such as the Alaska Highway Gas Pipeline and the development of an oil pipeline from Edmonton to the mid-coast of BC.

Competitive Tax Regime

Beginning in 2001, the government initiated various changes to ensure BC's tax regime was competitive. After cutting personal income taxes by 25 per cent, the tax levels for British Columbia families are among the lowest in the country.

A substantial investment has also been made in restoring BC's business tax climate. The province's ability to attract and retain investment has dramatically improved due to a lower corporate income tax rate, the elimination of the general corporation capital tax, a sales tax exemption for production machinery and equipment, and sector specific tax reductions.

Conclusion

British Columbia's economy grew 3.9 per cent in 2004, due to robust growth in both the domestic and external markets. The goods-producing industries outperformed the service-producing industries with strong demand for BC resources and high commodity prices. Wood product manufacturing and residential building construction led BC's economic growth in 2004. Real business investment jumped 11.7 per cent due to gains in both residential and machinery and equipment investment.

The number of people employed in the province rose 2.3 per cent in 2004, marking another strong year for jobs in BC. The province's annual unemployment rate dropped to 7.2 per cent, matching the Canadian rate, after being higher than the national average for the previous six years.

Appendix 1
Economic Review

Table A1.1A Aggregate and Labour Market Indicators

	Population [1] (thousands)	Nominal GDP ($ millions)	Real GDP ($1997 millions)	Personal income ($ millions)	Capital investment ($ millions)	Business incorporations (number)	Labour force (thousands)	Employment (thousands)	Unemployment rate (per cent)
1991....	3,373	81,849	95,897	75,336	17,370	18,528	1,749	1,574	10.0
1992....	3,468	87,242	98,373	78,610	17,979	20,406	1,800	1,616	10.2
1993....	3,567	94,077	102,770	81,914	18,875	22,955	1,848	1,669	9.7
1994....	3,676	100,512	105,669	85,703	21,353	25,774	1,920	1,745	9.1
1995....	3,777	105,670	108,194	90,056	20,591	23,846	1,952	1,786	8.5
1996....	3,874	108,865	110,857	92,661	19,408	22,848	1,987	1,813	8.7
1997....	3,949	114,383	114,383	95,925	22,552	22,958	2,026	1,854	8.5
1998....	3,983	115,641	115,883	98,135	20,819	20,759	2,034	1,854	8.9
1999....	4,011	120,921	119,604	101,465	21,152	21,009	2,064	1,893	8.3
2000....	4,039	131,333	125,145	107,624	21,799	21,515	2,079	1,930	7.2
2001....	4,078	134,060	126,229	110,066	23,414	19,749	2,082	1,922	7.7
2002....	4,115	138,368	130,391	113,021	23,732	21,262	2,144	1,960	8.6
2003....	4,152	145,500	133,600	116,125	25,434	23,243	2,191	2,014	8.0
2004....	4,196	156,481	138,783	120,907	29,140	25,428	2,219	2,060	7.2
	Population [1] (% change)	Nominal GDP (% change)	Real GDP (% change)	Personal income (% change)	Capital investment (% change)	Business incorporations (% change)	Labour force (% change)	Employment (% change)	Unemployment rate (change)
1992....	2.8	6.6	2.6	4.3	3.5	10.1	2.9	2.7	0.2
1993....	2.9	7.8	4.5	4.2	5.0	12.5	2.7	3.2	-0.5
1994....	3.0	6.8	2.8	4.6	13.1	12.3	3.9	4.6	-0.6
1995....	2.8	5.1	2.4	5.1	-3.6	-7.5	1.7	2.4	-0.6
1996....	2.6	3.0	2.5	2.9	-5.7	-4.2	1.8	1.5	0.2
1997....	1.9	5.1	3.2	3.5	16.2	0.5	2.0	2.2	-0.2
1998....	0.9	1.1	1.3	2.3	-7.7	-9.6	0.4	0.0	0.4
1999....	0.7	4.6	3.2	3.4	1.6	1.2	1.5	2.1	-0.6
2000....	0.7	8.6	4.6	6.1	3.1	2.4	0.7	1.9	-1.1
2001....	1.0	2.1	0.9	2.3	7.4	-8.2	0.1	-0.4	0.5
2002....	0.9	3.2	3.3	2.7	1.4	7.7	3.0	2.0	0.9
2003....	0.9	5.2	2.5	2.7	7.2	9.3	2.2	2.8	-0.6
2004....	1.1	7.5	3.9	4.1	14.6	9.4	1.3	2.3	-0.8

[1] As at July 1. Data take into account adjustments made for net census undercount in 1991 and 1996, and non-permanent residents.

[2] Data prior to 1997 are not available.

[3] Retail sales data have been revised from 1991 to 2004 and are now classified under the North American Industry Classification System (NAICS 2002).

[4] Data prior to 1998 not available.

[5] Data prior to 1993 are not available.

Sources: Statistics Canada and BC STATS, Ministry of Finance, based on federal, provincial and industry data.

Table A1.1B Prices, Earnings and Financial Indicators

	Consumer price index (1992=100)	Vancouver CPI (1992=100)	Average weekly wages[2] ($)	Labour income ($ millions)	Personal income per capita (dollars)	PDI per capita (dollars)	Prime rate (per cent)	Can/US exchange rate (US cents)	Conventional (5 yr) mortgage rate (per cent)
1991	97.4	97.1	-	46,296	22,332	17,311	9.9	87.3	11.1
1992	100.0	100.0	-	48,924	22,664	17,456	7.5	82.7	9.5
1993	103.5	103.6	-	51,312	22,962	17,804	5.9	77.5	8.8
1994	105.5	105.7	-	53,972	23,316	17,970	6.9	73.2	9.5
1995	107.9	108.4	-	56,768	23,843	18,302	8.6	72.9	9.2
1996	108.9	109.2	-	58,517	23,917	18,221	6.1	73.3	7.9
1997	109.7	109.8	610.3	60,681	24,294	18,484	5.0	72.2	7.1
1998	110.0	110.4	618.9	61,965	24,638	18,676	6.6	67.4	6.9
1999	111.2	111.4	626.8	64,045	25,295	19,298	6.4	67.3	7.6
2000	113.3	113.9	638.7	68,369	26,645	20,277	7.3	67.3	8.4
2001	115.2	116.0	648.1	70,044	26,987	20,771	5.8	64.6	7.4
2002	117.9	118.6	668.2	72,790	27,463	21,364	4.2	63.7	7.0
2003	120.4	121.0	683.8	75,141	27,967	21,734	4.7	71.4	6.4
2004	122.8	123.4	686.6	78,509	28,812	22,362	4.0	76.8	6.2
	Consumer price index (% change)	Consumer price index (% change)	Average weekly wages[2] (% change)	Labour income (% change)	Personal income per capita (% change)	PDI per capita (% change	Prime rate (change)	Can/US exchange rate (change)	Conventional (5 yr) mortgage rate (change)
1992	2.7	3.0	-	5.7	1.5	0.8	-2.5	-4.5	-1.6
1993	3.5	3.6	-	4.9	1.3	2.0	-1.5	-5.2	-0.7
1994	1.9	2.0	-	5.2	1.5	0.9	0.9	-4.3	0.8
1995	2.3	2.6	-	5.2	2.3	1.8	1.8	-0.4	-0.4
1996	0.9	0.7	-	3.1	0.3	-0.4	-2.6	0.5	-1.2
1997	0.7	0.5	-	3.7	1.6	1.4	-1.1	-1.1	-0.9
1998	0.3	0.5	1.4	2.1	1.4	1.0	1.6	-4.8	-0.1
1999	1.1	0.9	1.3	3.4	2.7	3.3	-0.2	-0.1	0.6
2000	1.9	2.2	1.9	6.8	5.3	5.1	0.8	0.0	0.8
2001	1.7	1.8	1.5	2.4	1.3	2.4	-1.5	-2.8	-0.9
2002	2.3	2.2	3.1	3.9	1.8	2.9	-1.6	-0.9	-0.4
2003	2.1	2.0	2.3	3.2	1.8	1.7	0.5	7.7	-0.6
2004	2.0	2.0	0.4	4.5	3.0	2.9	-0.7	5.5	-0.2

[1] As at July 1. Data take into account adjustments made for net census undercount in 1991 and 1996, and non-permanent residents.

[2] Data prior to 1997 are not available.

[3] Retail sales data have been revised from 1991 to 2004 and are now classified under the North American Industry Classification System (NAICS 2002).

[4] Data prior to 1998 not available.

[5] Data prior to 1993 are not available.

Sources: Statistics Canada and BC STATS, Ministry of Finance, based on federal, provincial and industry data.

Table A1.1C Other Indicators

	Manufacturing shipments ($ millions)	Retail sales[3] ($ millions)	Housing starts (number)	Non-residential building permits ($ millions)	Tourism GDP[4] ($ millions)	High-tech GDP[5] ($ millions)	BC product exports ($ millions)
1991	-	-	31,875	1,803	-	-	15,253
1992	24,398	25,022	40,621	2,082	-	-	16,336
1993	26,583	26,194	42,807	1,944	-	1,694	19,033
1994	30,333	28,463	39,408	1,772	-	1,797	22,856
1995	34,207	34,219	27,057	1,966	-	2,050	26,873
1996	32,932	34,775	27,641	1,957	-	2,214	25,717
1997	33,496	36,591	29,351	1,960	4,701	2,452	26,699
1998	31,757	35,762	19,931	2,022	4,714	2,696	25,942
1999	36,679	36,373	16,309	2,104	4,836	2,777	29,044
2000	40,699	38,435	14,418	2,089	4,947	3,190	33,639
2001	38,281	40,719	17,234	2,125	4,984	3,277	31,680
2002	38,499	43,265	21,625	1,771	5,070	3,048	28,828
2003	37,223	44,421	26,174	1,880	5,070	3,170	28,192
2004	42,249	47,217	32,925	2,070	n.a.	n.a.	31,048
	Manufacturing shipments (% change)	Retail sales[3] (% change)	Housing starts (% change)	Non-residential building permits (% change)	Tourism GDP[4] (% change)	High-tech GDP[5] (% change)	BC product exports (% change)
1992	-	-	27.4	15.5	-	-	7.1
1993	9.0	4.7	5.4	-6.7	-	-	16.5
1994	14.1	8.7	-7.9	-8.9	-	6.1	20.1
1995	12.8	20.2	-31.3	11.0	-	14.1	17.6
1996	-3.7	1.6	2.2	-0.4	-	8.0	-4.3
1997	1.7	5.2	6.2	0.1	-	10.7	3.8
1998	-5.2	-2.3	-32.1	3.2	0.3	10.0	-2.8
1999	15.5	1.7	-18.2	4.0	2.6	3.0	12.0
2000	11.0	5.7	-11.6	-0.7	2.3	14.9	15.8
2001	-5.9	5.9	19.5	1.7	0.7	2.7	-5.8
2002	0.6	6.3	25.5	-16.6	1.7	-7.0	-9.0
2003	-3.3	2.7	21.0	6.1	0.0	4.0	-2.2
2004	13.5	6.3	25.8	10.1	n.a.	n.a.	10.1

[1] As at July 1. Data take into account adjustments made for net census undercount in 1991 and 1996, and non-permanent residents.

[2] Data prior to 1997 are not available.

[3] Retail sales data have been revised from 1991 to 2004 and are now classified under the North American Industry Classification System (NAICS 2002).

[4] Data prior to 1998 not available.

[5] Data prior to 1993 are not available.

Sources: Statistics Canada and BC STATS, Ministry of Finance, based on federal, provincial and industry data.

Table A1.1D Commodity Indicators

	Lumber production (thousand m^3)	Timber harvest (thousand m3)	Pulp shipments (000 tonnes)[2]	Newsprint, etc production (000 tonnes)	Oil & natural gas production ($ millions)	Coal production (000 tonnes)[2]	Solid mineral shipments ($ millions)	Electric pwr generated (GW.h)	Farm cash receipts ($ millions)	Value of fish products ($ millions)
1991....	31,406	73,449	4,014	2,667	861	24,965	2,950	62,981	1,342	492
1992....	33,396	73,937	3,825	2,708	894	17,173	2,577	64,058	1,404	533
1993....	33,935	79,232	4,040	3,110	1,162	20,633	2,415	58,774	1,446	605
1994....	33,671	75,639	4,763	2,983	1,275	22,583	2,632	61,015	1,538	728
1995....	32,611	76,471	4,572	2,833	1,048	24,350	3,438	58,006	1,586	604
1996....	32,671	75,213	4,390	2,801	1,314	25,422	3,004	71,765	1,706	590
1997....	31,562	68,628	4,532	2,649	1,599	27,876	3,047	66,961	1,739	604
1998....	30,238	64,967	4,462	2,567	1,569	24,868	2,893	67,710	1,814	547
1999....	32,397	75,998	4,995	3,016	2,177	24,845	2,445	68,045	1,906	613
2000....	34,346	76,988	5,152	3,126	4,786	25,682	2,891	68,241	2,048	667
2001....	32,606	72,212	4,710	2,879	5,663	27,006	2,867	57,332	2,224	647
2002....	35,501	73,519	4,477	2,900	4,251	24,397	2,864	64,945	2,197	661
2003....	35,423	61,925	4,762	2,919	6,217	23,061	2,927	63,051	2,278	637
2004....	39,205	92,361	4,724	2,976	n.a.	27,082	3,577	60,596	2,386	n.a.
	Lumber production (% change)	Timber harvest (% change)	Pulp shipments (% change)	Newsprint, etc production (% change)	Oil & natural gas production (% change)	Coal production (% change)	Solid mineral shipments (% change)	Electric pwr generated (% change)	Farm cash receipts (% change)	Value of fish products (% change)
1992....	6.3	0.7	-4.7	1.5	3.8	-31.2	-12.6	1.7	4.7	8.3
1993....	1.6	7.2	5.6	14.8	30.0	20.1	-6.3	-8.2	3.0	13.5
1994....	-0.8	-4.5	17.9	-4.1	9.7	9.5	9.0	3.8	6.4	20.3
1995....	-3.1	1.1	-4.0	-5.0	-17.8	7.8	30.6	-4.9	3.1	-17.0
1996....	0.2	-1.6	-4.0	-1.1	25.4	4.4	-12.6	23.7	7.6	-2.3
1997....	-3.4	-8.8	3.2	-5.4	21.7	9.7	1.4	-6.7	1.9	2.4
1998....	-4.2	-5.3	-1.5	-3.1	-1.8	-10.8	-5.1	1.1	4.3	-9.4
1999....	7.1	17.0	11.9	17.5	38.7	-0.1	-15.5	0.5	5.1	12.1
2000....	6.0	1.3	3.1	3.6	119.8	3.4	18.2	0.3	7.5	8.8
2001....	-5.1	-6.2	-8.6	-7.9	18.3	5.2	-0.8	-16.0	8.6	-3.0
2002....	8.9	1.8	-4.9	0.7	-24.9	-9.7	-0.1	13.3	-1.2	2.2
2003....	-0.2	-15.8	6.4	0.7	46.3	-5.5	2.2	-2.9	3.7	-3.6
2004....	10.7	49.2	-0.8	2.0	n.a.	17.4	22.2	-3.9	4.8	n.a.

[1] As at July 1. Data take into account adjustments made for net census undercount in 1991 and 1996, and non-permanent residents.

[2] Data prior to 1997 are not available.

[3] Retail sales data have been revised from 1991 to 2004 and are now classified under the North American Industry Classification System (NAICS 2002).

[4] Data prior to 1998 not available.

[5] Data prior to 1993 are not available.

Sources: Statistics Canada and BC STATS, Ministry of Finance, based on federal, provincial and industry data.

Table A1.2 British Columbia Real GDP at Market Prices, Expenditure Based

	Consumer Expenditure	Government Expenditure	Residential Investment	Non-Residential Investment	Machinery and Equipment Investment	Business Investment	Exports	Imports	Real GDP
				(millions of 1997 $, chained)					
1997.....	72,380	22,266	8,716	5,791	6,799	21,306	49,691	55,143	114,383
1998.....	73,585	22,875	7,543	4,704	7,340	19,598	51,092	54,559	115,883
1999.....	75,648	22,761	6,962	5,000	7,672	19,676	55,575	57,889	119,604
2000.....	77,953	23,701	7,036	5,003	8,209	20,283	60,346	62,310	125,145
2001.....	80,028	24,853	7,704	5,849	8,280	21,907	59,082	62,481	126,229
2002.....	82,517	25,219	8,906	5,255	8,195	22,367	60,147	63,577	130,391
2003.....	85,235	25,720	10,222	5,469	8,301	24,021	60,308	65,933	133,600
2004.....	88,728	26,014	11,732	5,239	9,963	26,824	63,291	70,168	138,783
				(annual percentage change)					
1998.....	1.7	2.7	-13.5	-18.8	8.0	-8.0	2.8	-1.1	1.3
1999.....	2.8	-0.5	-7.7	6.3	4.5	0.4	8.8	6.1	3.2
2000.....	3.0	4.1	1.1	0.1	7.0	3.1	8.6	7.6	4.6
2001.....	2.7	4.9	9.5	16.9	0.9	8.0	-2.1	0.3	0.9
2002.....	3.1	1.5	15.6	-10.2	-1.0	2.1	1.8	1.8	3.3
2003.....	3.3	2.0	14.8	4.1	1.3	7.4	0.3	3.7	2.5
2004.....	4.1	1.1	14.8	-4.2	20.0	11.7	4.9	6.4	3.9

Source: Statistics Canada

Table A1.3 British Columbia GDP at Basic Prices, by Industry

	Crop and Animal Production	Fishing, Hunting and Trapping	Forestry and Logging	Mining, Oil and Gas Extraction	Manufacturing	Construction	Utilities	Transportation and Warehousing	Wholesale and Retail Trade	Finance, Insurance and Real Estate	Other Services	Public Administration and Defence	Total GDP
						(chained 1997 $)							
1997...	907	201	3,185	2,646	11,479	6,434	2,468	6,590	10,982	23,606	29,807	5,764	104,554
1998...	864	131	3,203	2,804	11,228	5,932	2,534	6,679	11,565	23,903	30,670	5,821	105,827
1999...	930	101	3,026	2,808	12,809	5,718	2,576	6,956	11,738	24,630	31,188	6,050	109,008
2000...	927	115	2,863	2,821	14,954	5,635	2,591	7,458	12,247	25,055	32,452	6,236	113,919
2001...	1,080	124	2,870	3,543	13,758	5,760	2,070	7,406	12,926	26,024	33,312	6,307	115,720
2002...	1,090	127	2,908	3,534	14,085	5,908	2,365	7,526	13,687	27,373	34,566	6,330	119,969
2003...	1,100	127	2,823	3,244	14,348	6,482	2,297	7,407	14,159	28,169	35,139	6,729	122,616
2004...	1,162	115	3,272	3,329	15,463	7,041	2,259	7,942	15,052	29,226	35,449	6,842	127,538
						(annual percentage change)							
1998...	-4.8	-35.0	0.6	6.0	-2.2	-7.8	2.6	1.4	5.3	1.3	2.9	1.0	1.2
1999...	7.7	-23.0	-5.5	0.2	14.1	-3.6	1.7	4.1	1.5	3.0	1.7	3.9	3.0
2000...	-0.4	14.5	-5.4	0.5	16.7	-1.4	0.6	7.2	4.3	1.7	4.1	3.1	4.5
2001...	16.6	8.0	0.3	25.6	-8.0	2.2	-20.1	-0.7	5.5	3.9	2.7	1.1	1.6
2002...	0.9	2.3	1.3	-0.2	2.4	2.6	14.3	1.6	5.9	5.2	3.8	0.4	3.7
2003...	0.9	-0.2	-2.9	-8.2	1.9	9.7	-2.9	-1.6	3.5	2.9	1.7	6.3	2.2
2004...	5.6	-9.5	15.9	2.6	7.8	8.6	-1.6	7.2	6.3	3.8	0.9	1.7	4.0

Source: Statistics Canada

Table A1.4 British Columbia GDP, Income Based

	Labour Income	Corporation Profits before Taxes	Interest and Miscellaneous Investment Income	Accrued Net Income of Farm Operators	Net Income of Non-farm Unincorporated Business	Inventory Valuation Adjustment	Net Domestic Product at Basic Prices	Indirect Taxes less Subsidies	Capital Cons. Allowances and Misc. Valuation Adjustments	Statistical Discrepancy	GDP at Market Prices	GDP at Basic Prices
						($ millions)						
1997	60,681	8,286	8,444	89	7,780	101	90,040	14,480	14,526	-4	114,383	104,562
1998	61,965	7,335	8,355	166	8,285	-24	90,860	14,515	15,050	-6	115,641	105,904
1999	64,045	9,309	8,365	199	8,723	-373	95,125	14,972	15,659	22	120,921	110,806
2000	68,369	11,596	10,184	54	9,078	-80	104,232	15,608	16,526	-2	131,333	120,756
2001	70,044	11,767	8,843	141	9,605	44	105,577	16,009	17,545	62	134,060	123,184
2002	72,790	11,300	8,939	45	10,495	-306	108,318	16,813	18,317	-25	138,368	126,610
2003	75,141	12,568	9,310	68	11,144	655	114,068	17,778	19,064	-228	145,500	132,904
2004	78,509	16,703	10,087	70	11,704	42	122,528	18,877	20,162	327	156,481	143,017
						(annual percentage change)						
1998	2.1	-11.5	-1.1	86.5	6.5	-123.8	0.9	0.2	3.6	50.0	1.1	1.3
1999	3.4	26.9	0.1	19.9	5.3	1454.2	4.7	3.1	4.0	-466.7	4.6	4.6
2000	6.8	24.6	21.7	-72.9	4.1	-78.6	9.6	4.2	5.5	-109.1	8.6	9.0
2001	2.4	1.5	-13.2	161.1	5.8	-155.0	1.3	2.6	6.2	-3200.0	2.1	2.0
2002	3.9	-4.0	1.1	-68.1	9.3	-795.5	2.6	5.0	4.4	-140.3	3.2	2.8
2003	3.2	11.2	4.2	51.1	6.2	-314.1	5.3	5.7	4.1	812.0	5.2	5.0
2004	4.5	32.9	8.3	2.9	5.0	-93.6	7.4	6.2	5.8	-243.4	7.5	7.6

Source: Statistics Canada

Table A1.5 Employment by Industry in British Columbia

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
						(thousands)					
Total - all industries	1,745	1,786	1,813	1,854	1,854	1,893	1,930	1,922	1,960	2,014	2,060
Primary industries	79	80	84	87	84	78	83	67	67	78	72
Agriculture	30	25	30	34	33	29	30	26	30	32	37
Forestry	31	36	32	31	30	30	36	25	25	28	21
Fishing, hunting and trapping	6	4	5	5	3	4	4	5	3	5	3
Mining	12	15	18	16	18	15	13	11	9	13	11
Manufacturing	186	190	194	197	197	193	203	195	196	206	208
Food, beverages & tobacco	27	22	24	25	26	22	24	26	27	31	31
Wood products	50	44	43	45	44	43	46	49	44	49	47
Paper	22	24	23	23	23	22	18	15	17	14	12
Printing & related support activities	10	9	11	10	8	9	11	9	8	8	8
Primary metals	9	12	11	9	9	10	11	8	6	9	7
Metal fabrication	9	10	9	11	10	12	13	14	13	14	14
Transportation equipment	8	9	9	13	13	13	13	10	13	12	12
Other manufacturing	51	60	62	61	64	62	69	65	68	68	79
Construction	126	126	119	125	118	114	111	111	117	117	142
General contractors	47	45	43	41	38	41	42	40	41	46	50
Special trade contractors	79	82	75	84	80	73	70	71	76	71	92
Utilities	12	11	11	10	12	11	10	11	11	11	9
Transportation and warehousing	97	95	98	105	103	117	117	113	112	118	118
Transportation	93	92	94	99	100	112	114	108	107	113	113
Warehousing and storage	4	4	4	6	3	4	3	4	5	6	5
Trade	290	301	296	300	293	309	304	304	323	330	321
Wholesale trade	64	67	68	72	62	80	67	67	73	77	67
Retail trade	225	234	228	228	231	229	236	237	250	253	254
Finance, Insurance, Real Estate & Leasing	118	117	122	127	122	118	117	122	126	126	132
Finance	50	49	51	57	53	54	52	56	57	61	56
Insurance	24	21	23	26	22	22	27	25	24	21	28
Real Estate	36	37	38	33	39	33	29	29	33	34	36
Leasing	10	10	10	11	8	10	9	12	11	11	12
Public administration	97	100	105	99	93	89	91	88	88	94	98
Federal administration	32	31	36	34	29	32	33	30	32	37	34
Provincial administration	33	36	36	32	29	28	27	32	27	28	29
Local administration	32	32	34	34	35	30	31	26	29	29	35
Other service industries	741	766	786	804	834	864	893	912	919	934	961
Education and related services	118	122	119	119	118	125	136	138	138	140	135
Health and welfare services	167	174	181	187	191	190	199	198	212	214	220
Professional, scientific & technical	101	105	110	113	124	137	136	139	135	138	145
Information, culture & recreation	79	86	85	88	94	92	98	105	106	107	111
Services to business management	53	55	60	63	67	65	70	70	72	80	82
Accommodation and food services	127	135	142	142	147	149	155	154	162	162	175
Miscellaneous services	94	89	92	92	94	107	99	98	95	93	94

Source: Statistics Canada, Labour Force Survey (unpublished data). Totals may not add due to rounding.

Table A1.6 Capital Investment by Industry

	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Preliminary Actual 2004	Intentions 2005	2003 to 2004	2004 to 2005
	($ millions)						(per cent)	
Agriculture, forestry, fishing and hunting	403.2	336.1	383.8	395.6	387.3	464.3	-2.1	19.9
Mining, quarrying and oil well industries	1,758.1	2,925.8	2,299.4	3,309.3	3,272.1	3,447.5	-1.1	5.4
Manufacturing	1,434.7	1,303.6	1,098.3	1,176.4	1,451.5	2,042.3	23.4	40.7
Construction	251.5	248.3	280.3	306.9	351.7	389.7	14.6	10.8
Transport & warehousing	2,306.2	2,062.5	2,142.6	1,429.6	1,576.5	1,868.1	10.3	18.5
Utilities	845.4	943.6	1,084.6	1,375.8	1,514.6	1,723.1	10.1	13.8
Wholesale	353.7	339.7	369.0	415.5	500.2	477.4	20.4	-4.6
Retail trade	801.1	774.1	731.8	822.5	851.5	865.3	3.5	1.6
Finance and insurance	1,732.6	1,529.7	1,333.5	1,295.5	1,341.4	1,504.8	3.5	12.2
Real estate, rental and leasing	1,413.4	1,524.6	1,661.4	1,572.1	1,786.5	1,905.7	13.6	6.7
Information and cultural industries	1,042.1	1,465.1	1,087.3	764.1	897.1	881.8	17.4	-1.7
Professional, scientific and technical	319.4	315.2	348.6	349.4	412.9	409.0	18.2	-0.9
Management of companies and enterprises	17.2	30.5	32.4	14.4	15.0	18.2	4.2	21.3
Admin, waste and remediation services	94.3	115.8	75.9	99.0	103.3	106.7	4.3	3.3
Arts, entertainment and recreation	95.6	126.1	98.3	144.1	266.5	358.1	84.9	34.4
Accommodation and food services	258.9	239.0	396.3	431.0	421.2	298.9	-2.3	-29.0
Education services	678.3	610.4	660.8	726.2	710.8	646.9	-2.1	-9.0
Health services	497.7	552.3	558.1	612.3	562.7	613.8	-8.1	9.1
Public administration	2,083.4	2,109.7	2,158.6	2,017.6	2,537.3	2,648.0	25.8	4.4
Other services	149.2	161.4	176.5	170.4	184.5	226.5	8.3	22.8
Housing	5,263.0	5,700.8	6,754.0	8,006.4	9,995.5	10,628.2	24.8	6.3
Total	**21,799.1**	**23,414.3**	**23,731.6**	**25,434.2**	**29,140.1**	**31,524.2**	**14.6**	**8.2**
Public	4,641.4	4,520.4	4,670.5	4,611.1	5,337.2	6,010.6	15.7	12.6
Private	17,157.6	18,893.8	19,061.1	20,823.1	23,802.9	25,513.6	14.3	7.2
Total	**21,799.0**	**23,414.2**	**23,731.6**	**25,434.2**	**29,140.1**	**31,524.2**	14.6	8.2
Machinery and equipment	9,007.0	9,261.8	8,865.1	8,305.8	9,452.7	10,159.3	13.8	7.5
Construction	12,792.1	14,152.5	14,866.5	17,128.4	19,687.4	21,364.9	14.9	8.5
Total	**21,799.1**	**23,414.3**	**23,731.6**	**25,434.2**	**29,140.1**	**31,524.2**	14.6	8.2

Note: Totals may not add due to rounding.

Totals may not add due to some data not being disclosed for confidentiality reasons.

Source: Statistics Canada

Table A1.7 British Columbia International Goods Exports by Major Market and Selected Commodities, 2004

Commodity	U.S.	Japan	European Union [1]	Other Markets	Total - All Countries
			($ millions)		
Solid wood products	7,693	1,692	275	399	10,060
Lumber (softwood)	5,079	1,263	229	322	6,893
Cedar shakes and shingles	233	0	3	4	240
Plywood (softwood)	448	24	7	7	486
Other panel products	841	39	1	8	889
Selected value-added wood products	795	135	6	15	952
Other	297	230	29	43	599
Pulp and paper products	1,969	429	788	1,773	4,959
Pulp	655	311	713	1,298	2,977
Newsprint	308	87	7	207	609
Paper, paperboard - excluding newsprint	895	25	68	237	1,225
Other	111	5	1	30	147
Agriculture and food other than fish	1,012	138	50	305	1,504
Fruit and nuts	147	12	11	11	182
Vegetables	240	20	7	30	296
Other	625	105	32	264	1,025
Fish products	544	216	65	149	974
Whole fish; fresh, chilled, frozen - excluding salmon	105	38	15	30	189
Whole salmon; fresh, chilled, frozen	216	40	14	18	288
Salmon; canned, smoked, etc.	47	5	34	14	99
Other	175	133	2	87	396
Metallic mineral products	531	856	127	583	2,097
Copper ores and concentrates	1	348	0	234	583
Molybdenum ores and concentrates	97	64	115	55	331
Unwrought aluminum	55	379	1	164	599
Unwrought zinc	276	5	0	95	376
Other	103	60	11	35	209
Energy products	3,068	299	445	704	4,516
Natural gas	2,496	0	0	0	2,496
Coal	132	298	445	698	1,573
Electricity	290	0	0	0	290
Other	150	0	0	6	157
Machinery and equipment	2,273	57	308	496	3,135
Motor vehicles and parts	316	9	13	34	372
Electrical/electronic communications	410	13	54	136	614
Other	1,547	35	241	326	2,149
Plastics and articles of plastic	486	4	9	20	523
Apparel and accessories	138	4	10	4	158
All other commodities	2,401	108	64	0 550	3,122
Total	20,121	3,800	2,140	4,986	31,048

[1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Source: BC STATS

Note: This data has been revised by BC Stats to correct a misallocation error and will not match data released by Statistics Canada.

Table A1.8 British Columbia International Goods Exports by Market Area, 2004

	2002	2003	2004	% Change 2003-2004	Percent of Total 2003	Percent of Total 2004
	($ millions)				(per cent)	
United Kingdom	337	302	340	12.4	1.1	1.1
Germany	321	364	416	14.1	1.3	1.3
People's Republic of China	756	908	1,301	43.3	3.2	4.2
Hong Kong	208	180	261	45.2	0.6	0.8
Taiwan	339	428	482	12.6	1.5	1.6
Japan	3,859	3,649	3,802	4.2	12.9	12.2
South Korea	725	772	914	18.4	2.7	2.9
India	120	110	134	21.8	0.4	0.4
Australia	187	201	223	11.2	0.7	0.7
Mexico	79	107	199	85.8	0.4	0.6
United States	19,666	18,792	20,121	7.1	66.7	64.8
Other	2,231	2,377	2,856	20.1	8.4	9.2
Total	**28,828**	**28,192**	**31,048**	**10.1**	**100.0**	**100.0**
Market Areas:						
Western Europe [1]	1,839	1,877	2,179	16.1	6.7	7.0
Pacific Rim [2]	6,529	6,598	7,558	14.5	23.4	24.3

[1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

[2] Australia, Brunei Darussalam, China, Fiji, Hong Kong, Indonesia, Japan, Laos, Macau, Malaysia, Mongolia, New Zealand, North Korea, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

Source: BC STATS
Note: This data has been revised by BC Stats to correct a misallocation error and will not match data released by Statistics Canada.

Table A1.9 Historical Commodity Prices (in U.S. Dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Metals											
Copper (London; $/lb)	1.05	1.33	1.04	1.03	0.75	0.71	0.82	0.72	0.71	0.81	1.30
Lead (London; $/lb)	0.25	0.28	0.35	0.28	0.24	0.23	0.21	0.22	0.21	0.23	0.40
Zinc (London; $/lb)	0.49	0.53	0.51	0.65	0.51	0.53	0.56	0.44	0.35	0.39	0.48
Gold (London; $/troy oz)	384	384	388	331	294	279	280	271	310	363	409
Silver (London; $/troy oz)	5.28	5.21	5.18	4.89	5.53	5.25	5.00	4.39	4.60	4.88	6.66
Molybdenum ($/lb)	4.50	7.42	3.61	4.18	3.31	2.65	2.51	2.31	3.59	5.21	15.92
Aluminum (London; $/lb)	0.67	0.82	0.68	0.73	0.62	0.62	0.69	0.65	0.61	0.65	0.78
Forest Products											
Lumber (Madison's Lumber Reporter; WSPF, $/1000 bd ft)	342	251	351	353	287	342	256	247	235	270	394
Pulp (Northern Europe; $/tonne; transaction price)	573	863	590	566	515	523	681	543	463	523	616
Newsprint (Pulp and Paper Week; $/tonne)	465	674	652	560	595	513	564	588	468	501	549
Hemlock baby squares (Madison's Lumber Reporter; 3 9/16")	852	862	796	821	556	585	566	583	593	535	616
Other											
Oil (West Texas Intermediate; $/barrel)	17	18	22	21	14	19	30	26	26	31	41
Natural Gas (Sumas; $/Mmbtu)	1.60	1.03	1.35	1.70	1.61	2.15	4.17	4.58	2.68	4.66	5.27

Source: Ministry of Finance, Ministry of Energy and Mines, US Federal Reserve Bank

Table A1.10 British Columbia Forest Sector Economic Activity Indicators

Indicator	2000	2001	2002	2003	2004	Change [1] 2003-2004
Wood production		(million cubic meters)				(per cent)
Timber billed	77.0	72.2	73.5	61.9	92.4	49.2
Lumber	34.3	32.6	35.5	35.4	39.2	10.7
Plywood	1.5	1.6	1.7	1.7	1.9	7.5
Timber scaled by species		(million tonnes)				
Lodgepole pine	n.a.	n.a.	n.a.	29.5	30.2	2.3
Spruce	n.a.	n.a.	n.a.	13.2	11.6	-12.1
Hemlock	n.a.	n.a.	n.a.	7.0	9.2	31.1
Douglas fir	n.a.	n.a.	n.a.	10.1	12.7	26.3
Balsam	n.a.	n.a.	n.a.	5.7	6.1	6.9
Cedar	n.a.	n.a.	n.a.	5.4	7.3	35.0
All others	n.a.	n.a.	n.a.	4.0	4.3	7.7
Total [2]	n.a.	n.a.	n.a.	**74.8**	**81.3**	**8.7**
		(million tonnes)				
Pulp and paper shipments	8.3	7.6	7.4	7.6	7.7	1.2
Market pulp	5.2	4.7	4.5	4.8	4.7	-0.8
Newsprint, paper and paperboard	3.1	2.9	2.9	2.9	3.0	2.0
Industrial product price indices		(1997=100)				
Softwood lumber – British Columbia	83.2	82.6	81.7	72.6	85.2	17.4
Douglas fir plywood	94.8	94.4	104.2	110.8	126.5	14.2
Bleached sulphate pulp	127.7	105.7	96.1	97.2	104.1	7.1
Newsprint for export	105.4	123.0	96.2	89.3	91.4	2.4

[1] Percentage change based on unrounded numbers.

[2] Total may not add due to rounding.

Sources: Timber scaled (less waste and reject) – Ministry of Forests
Lumber and plywood production – Statistics Canada
Pulp and paper production – Canadian Pulp and Paper Association
Industrial product price indices – Statistics Canada

Table A1.11 Historical Value of Mineral, Petroleum and Natural Gas Shipments

Year	Metals	Industrial Minerals [1]	Construction Aggregates [2]	Coal	Crude Oil [3]	Natural Gas to Pipeline	Other oil and Gas [4]	Total
				($ millions)				
1990	1,623	305	163	822	319	537	43	**3,812**
1991	1,511	290	159	861	260	562	36	**3,679**
1992	1,502	212	157	706	260	592	38	**3,467**
1993	1,198	229	166	822	233	814	42	**3,504**
1994	1,354	237	180	861	235	991	44	**3,902**
1995	2,016	249	204	968	272	710	58	**4,477**
1996	1,537	251	189	1,027	441	817	75	**4,337**
1997	1,495	249	195	1,107	403	1,087	98	**4,634**
1998	1,484	245	208	956	373	1,154	47	**4,467**
1999	1,183	246	219	797	461	1,577	53	**4,536**
2000	1,571	284	224	812	843	3,826	114	**7,674**
2001	1,394	296	217	959	729	4,834	103	**8,532**
2002	1,288	310	231	1,035	714	3,458	79	**7,115**
2003	1,353	348	228	998	718	5,396	116	**9,157**
2004 e	1,887	336	226	1,127	824	5,827	133	**10,360**

e Estimate.

[1] Shipments of gypsum and silica to Canadian cement, lime and clay plants are not included in this table.

[2] Sand and gravel; stone.

[3] Includes Pentanes and Condensate.

[4] Liquified Petroleum Gases and Sulphur.

Sources: Natural Resources Canada and Ministry of Energy and Mines

Table A1.12 Petroleum and Natural Gas Activity Indicators

Indicator	Unit of Measure	2000	2001	2002	2003	2004	Change 2003-2004
							(per cent)
Natural gas production (wellhead) [1]	(billion cubic m)	26.6	29.9	32.4	30.8	31.3	1.6
Crude oil and condensate	(million cubic m)	3.2	3.2	2.8	2.8	2.7	-4.6
Wells authorized	(number)	1,010	977	876	1,399	1698	21.4
Wells drilled	(number)	770	875	643	1,041	1270	22.0
Seismic crew-weeks	(number)	140	167	160	164	194	18.3
Provincial reserves							
Marketable gas (remaining reserves)	(billion cubic m)	240	252	255	260	n.a.	n.a.
Oil (remaining reserves)	(million cubic m)	27.4	25.5	22.6	22.4	n.a.	n.a.
Provincial government petroleum and natural gas revenue [2]	($ millions)	1,306.2	1,731.1	1,241.7	2,114.2	1,794.5	-15.1

[1] Includes gas retrieved from storage. During 2002, 1 billion cubic metres were produced from storage wells.

[2] Includes Crown royalties, Crown reserve disposition bonuses, fees and rentals.

Source: Ministry of Energy and Mines

Table A1.13 Supply and Consumption of Electrical Energy in British Columbia

Year	Supply					Consumption	
	Net Generation						
	Hydro	Thermal	Total Provincial Generation	Receipts From Other Provinces and Imports	Total Provincial Supply	Delivered To Other Provinces and Exports	Total Provincial Consumption
	(gigawatt-hours)[1]						
1985	57,105	2,022	59,126	1,080	60,207	11,231	48,975
1986	48,923	1,836	50,759	3,345	54,104	4,709	49,395
1987	61,057	2,010	63,066	1,203	64,269	13,336	50,934
1988	58,573	2,370	60,943	2,351	63,293	9,215	54,078
1989	51,082	6,573	57,655	4,500	62,155	6,583	55,572
1990	57,245	3,417	60,662	3,233	63,895	6,689	57,206
1991	60,149	2,832	62,981	2,272	65,253	7,725	57,528
1992	60,555	3,503	64,058	2,685	66,743	9,473	57,270
1993	53,057	5,716	58,774	5,691	64,465	5,605	58,860
1994	53,979	7,036	61,015	7,836	68,851	9,541	59,311
1995	49,814	8,192	58,006	6,385	64,391	3,972	60,419
1996	67,329	4,436	71,765	3,289	75,053	10,390	64,664
1997	61,772	5,189	66,961	4,316	71,278	12,114	59,163
1998	60,849	6,861	67,710	5,056	72,766	10,619	62,147
1999	61,588	6,457	68,045	6,807	74,852	12,529	62,323
2000	59,754	8,487	68,241	6,039	74,280	10,698	63,582
2001	48,338	8,994	57,332	10,154	67,486	6,408	61,079
2002	58,627	6,318	64,945	5,769	70,714	8,078	62,636
2003	56,689	6,362	63,051	7,084	70,135	9,599	60,535
2004	53,381	7,214	60,596	8,261	68,857	6,791	62,066

[1] Gigawatt-hour = one million kilowatt-hours

Source: Statistics Canada

Table A1.14 British Columbia High-Technology Sector Activity

Indicator	1997	1998	1999	2000	2001	2002	2003	2004 [2]	Change 2003-2004 (per cent)
Number of Establishments [1]									
Manufacturing	-	838	871	859	826	809	783	-	-
Services	-	3,899	4,146	4,528	4,622	4,537	4,606	-	-
Total	-	**4,737**	**5,017**	**5,387**	**5,448**	**5,346**	**5,389**	-	-
Employment (persons)									
Manufacturing	10,790	11,230	13,620	15,050	15,180	13,820	13,220	12,937	-2.1
Services	23,640	21,980	24,270	27,410	30,290	30,020	31,810	32,101	0.9
Total	**34,420**	**33,210**	**37,890**	**42,450**	**45,470**	**43,840**	**45,030**	**45,038**	**0.0**
Wages and Salaries ($ millions)									
Manufacturing	386	447	506	555	633	627	616	626	1.6
Services	1,400	1,237	1,301	1,580	1,785	1,748	1,878	1,939	3.2
Total	**1,787**	**1,685**	**1,807**	**2,136**	**2,418**	**2,374**	**2,494**	**2,563**	**2.7**
Real GDP ($ 1997 millions)	2,452	2,747	2,980	3,697	3,627	3,448	3,550	3,676	3.5
Nominal GDP ($ millions)	2,452	2,696	2,777	3,190	3,277	3,048	3,170	3,304	4.2
Revenues ($ millions)	4,778	4,946	5,593	6,375	6,554	6,112	6,344	6,682	5.3
Exports ($ millions)	581	769	840	923	748	685	629	674	7.3

[1] Data not available prior to 1998 or for 2004.

[2] Data for 2004 is preliminary and subject to change.

Source: BC STATS

Chapter Two
Financial Review

2004/05 Overview

The provincial government ended the 2004/05 fiscal year with a record surplus of $2.6 billion, $2.5 billion higher than the budgeted surplus of $100 million and an improvement of $3.9 billion as compared to the previous year. The surplus reflected robust economic performance in both domestic and export sectors, improved natural resources revenue, higher than anticipated federal transfers, and sound financial management on the spending side. The record surplus also enabled a $1.9 billion reduction in debt.

Table 2.1 Operating Statement

($ millions)	Budget 2004/05	Actual 2004/05	Actual 2003/04 [1]	Annual Change [2]
				(per cent)
Taxpayer-supported programs and agencies:				
Revenue	28,420	30,821	27,176	13.4
Expense	(30,292)	(30,658)	(30,335)	1.1
Taxpayer-supported balance	**(1,872)**	**163**	**(3,159)**	(105.2)
Commercial Crown corporation net income	2,072	2,412	1,884	28.0
Surplus (deficit) before forecast allowance	**200**	**2,575**	**(1,275)**	(302.0)
Forecast allowance	(100)	-	-	-
Surplus (deficit)	**100**	**2,575**	**(1,275)**	(302.0)

[1] Comparative figures have been restated to reflect government accounting policies in effect at March 31, 2005.
[2] Percentage change between 2004/05 actual and 2003/04 actual.

This is the third year in a row that the provincial government's actual results have significantly improved on its budget targets. British Columbia's consistent achievement of fiscal targets; solid economic performance, resulting, in part, from regulatory reform and tax reductions; transparent budgeting and reporting practices; and low taxpayer-supported debt to GDP ratio resulted in the province receiving debt rating upgrades from all three of the province's bond rating agencies – Moody's Investors Services, Standard & Poor's, and Dominion Bond Rating Service.

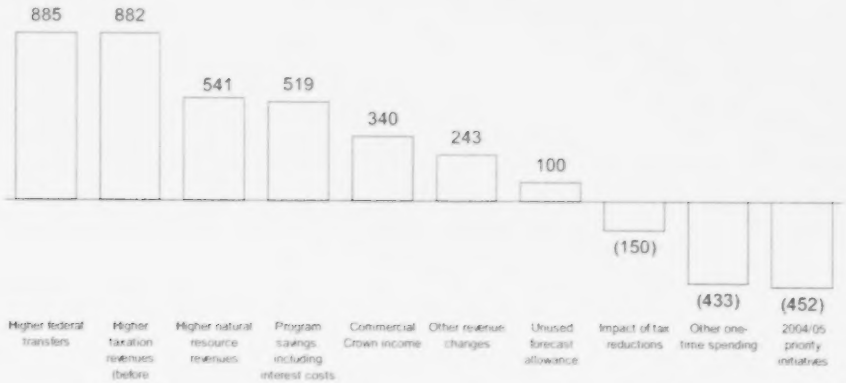
As well, 2004/05 is the first year that the province fully consolidated information from schools, universities, colleges and health authorities into its budget, quarterly reports and financial statements. As a result, for the first time in nine years, the Auditor General provided an unqualified opinion on the 2004/05 financial statements and commended British Columbia for being a leader in complying with generally accepted accounting principles (GAAP) and the inclusiveness of its budget and financial reports. Further information on compliance with GAAP can be found in the Appendix to this chapter. As well, the impact of the SUCH sector on the government's financial statements is discussed in a topic box on page 52.

The $2.6 billion surplus included:

- taxpayer-supported program and agency revenue of $30.8 billion, $2.4 billion higher than budget and a 13.4 per cent improvement over the previous year;

Chart 2.1 2004/05 Surplus – Major Changes From Budget

$ millions



- taxpayer-supported program and agency expense of $30.7 billion, $366 million higher than budget and a 1.1 per cent increase compared to the previous year; and
- commercial Crown corporation net income of $2.4 billion, $340 million higher than budget and a 28.0 per cent improvement over the previous year.

As is shown in Chart 2.1, the 2004/05 surplus was $2.5 billion higher than budget due to a number of factors.

During 2004/05, taxation revenue increased by $882 million mainly due to the province's robust economic growth. Major increases included corporate income tax, due to higher assessments for 2003, and property transfer tax, reflecting a strong housing market. The increase was partially offset by a reduction in the provincial sales tax rate to 7.0 per cent from 7.5 per cent in October 2004 and other tax reductions introduced in *Budget 2005* with a combined total impact of $150 million.

Natural resource revenue was $541 million higher than budget, reflecting strong global demand for energy and mineral products, and a robust US housing market, resulting in higher commodity prices and increased Crown forest harvest volumes.

Federal transfers to the province were $885 million higher than the projection in the February 17, 2004 budget mainly due to changes to the equalization program and increased health and social transfers, including the additional $148 million health care funding announced after the budget[1].

[1] Subsequent to the February 17, 2004 budget, a further federal contribution to the First Ministers' Accord on Health Care Renewal (Health Accord) and the new 2004 Public Health and Immunization Trust was finalized, resulting in a $148 million increase to revenue and spending targets. These amounts were included in the May 2004 *Supply Act* in addition to the original budget amounts for revenue from federal transfers and Ministry of Health Services spending. The additional funding was also included as part of the budget total in the 2004/05 *Quarterly Reports*. In this report, the budget figures reflect the presentation in the original estimates tabled on February 17, 2004 and do not include the additional funding.

The $340 million improvement to Commercial Crown corporation net income was primarily due to the completion of the BC Rail Investment Partnership with CN in July 2004 and better than expected results from ICBC, partially offset by lower than expected BC Hydro results.

Prudent spending management resulted in government-wide program savings of $330 million and interest cost reductions of $189 million, including interest costs of taxpayer-supported Crown agencies and the SUCH sector. These savings, plus the revenue increases noted above, enabled the provincial

Table 2.2 Operating Statement – Changes from *Budget 2004*

($ millions)	Changes	Updated Forecast
2004/05 forecast surplus – *Budget 2004* Fiscal Plan (February 17, 2004)		**100**
Revenue increases (decreases):		
Tax measures – post February 2004	(150)	
First Ministers' Accord on health care renewal	148	
Personal income tax – mainly higher tax base (before tax measures)	75	
Corporate income tax – higher 2003 BC tax assessments and 2004 instalments from the federal government	362	
Social service tax – strong business and personal expenditures (before tax measures)	120	
Property transfer tax – strong housing market	172	
Other tax revenue – mainly corporation capital, insurance premium	153	
Energy and mineral sources – effect of higher prices	278	
Forests revenue – higher prices and harvest volumes	364	
Equalization – impact of new framework	577	
Other federal transfers	160	
All other taxpayer supported sources	142	
Commercial Crown corporation income:		
BC Hydro – reflects impact of low water levels in reservoirs and BCUC decision, partially offset by Alcan settlement	(148)	
BC Rail – gain on BC Rail/CN transaction delayed from 2003/04	199	
ICBC – primarily higher premium revenue and investment income, and lower claims costs	347	
Other Crown corporation changes – primarily lower BC Lotteriy Corporation net income	(58)	
Total revenue changes		**2,741**
Less expense changes:		
First Ministers' Accord on health care renewal	(148)	
Disbursement of BC Rail investment partnership gain	(169)	
Priority initiatives funded through Supplementary Estimates	(452)	
Transportation infrastructure funding paid to the BCTFA	(750)	
Additional forest fire and flood related costs	(116)	
Education – change in accounting for contributions in support of First Nations	52	
Lower expenses for Free Crown Grants and leases	129	
Interest costs – mainly reduced debt levels	123	
Other changes – primarily ministry savings	297	
CRF expense changes	**(1,034)**	
Taxpayer-supported Crown agencies:		
Transfers received by the BC Transportation Financing Authority (BCTFA) from the CRF	750	
Other taxpayer-supported Crown agency net spending changes	41	
School districts – net spending increase	(139)	
Universities – net spending increase	(62)	
Colleges – lower net spending	49	
Health authorities – lower net spending	102	
Increase in spending recovered from external entities	(73)	
Total expense changes		**(366)**
Forecast allowance not required		**100**
Net change		**2,475**
Actual surplus – 2004/05 *Public Accounts*		**2,575**

government to initiate priority spending initiatives totaling $452 million and absorb additional forest fire- and flood-related costs of $116 million. Other one-time spending included $148 million related to the additional federal Health Accord transfers and a $169 million distribution from the gain resulting from the completion of the BC Rail Investment Partnership.

The 2004/05 budget also included a $100 million forecast allowance that was not required since the budget target was exceeded.

Chart 2.1 and Table 2.2 summarize the major changes from the 2004/05 budget.

The 2004/05 surplus was a $3.9 billion improvement over the $1.3 billion deficit recorded in 2003/04 (see Table 2.1), primarily due to higher revenue from taxation and natural resources, increased federal transfers and improved commercial Crown corporation net income. Overall, revenue increased by $4.2 billion over the previous year. This improvement was accompanied by a $526 million increase in health and education spending, including spending by taxpayer-supported Crown agencies and the SUCH sector, partially offset by $203 million in spending reductions in other areas. The overall annual increase in spending was $323 million.

The 2004/05 surplus was $1.1 billion higher than the third quarter forecast released with the 2005/06 budget on February 15, 2005. Further details on changes from the February 2005 updated forecast are provided in Appendix Table A2.3.

Revenue

In 2004/05, revenue totaled $33.2 billion, $2.7 billion higher than budget and 14.4 per cent higher than 2003/04 reflecting improved income and economic growth, strong commodity prices, new federal/provincial arrangements for health and equalization entitlements and higher ICBC net income, offsetting $150 million of tax measures introduced after the February 17, 2004 budget.

Chart 2.2 Revenue Changes from Budget

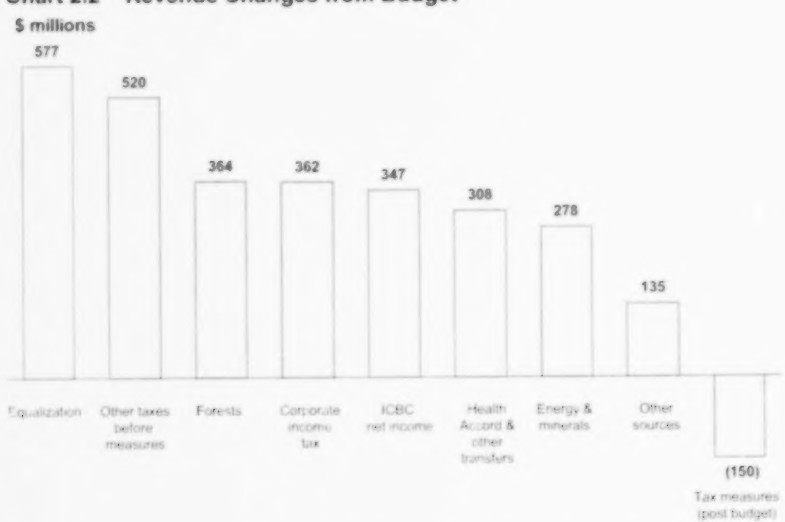


Table 2.3 Revenue by Source

($ millions)	Budget 2004/05 [1]	Actual 2004/05	Actual 2003/04	Annual Change [2]
				(per cent)
Taxation				
Personal income	5,005	5,050	4,877	3.5
Corporate income	893	1,255	775	61.9
Social service	4,156	4,156	4,024	3.3
Fuel	891	904	875	3.3
Tobacco	676	699	647	8.0
Property	1,655	1,661	1,574	5.5
Property transfer	432	604	518	16.6
Other	477	588	540	8.9
	14,185	**14,917**	**13,830**	7.9
Natural resources				
Natural gas royalties	1,213	1,439	1,230	17.0
Columbia River Treaty	215	258	230	12.2
Other energy and minerals	603	612	535	14.4
Forests	999	1,363	1,014	34.4
Water and other resources	402	301	300	0.3
	3,432	**3,973**	**3,309**	20.1
Other revenue				
Medical Services Plan premiums	1,398	1,465	1,447	1.2
Post-secondary education fees	763	836	781	7.0
Other health-care related fees	195	189	225	(16.0)
Motor vehicle licences and permits	370	381	363	5.0
Other fees and licences	852	750	715	4.9
Investment earnings	889	833	950	(12.3)
Sales of goods and services	681	640	610	4.9
Miscellaneous	1,309	1,606	1,327	21.0
	6,457	**6,700**	**6,418**	4.4
Contributions from the federal government				
Health and social transfers [3]	3,224	3,421	3,044	12.4
Equalization	402	979	(330)	(396.7)
Other federal contributions	720	831	905	(8.2)
	4,346	**5,231**	**3,619**	44.5
Taxpayer-supported programs and agencies	**28,420**	**30,821**	**27,176**	13.4
Commercial Crown corporation income				
BC Hydro (before regulatory transfers) [4]	388	240	90	166.7
Liquor Distribution Branch	760	779	724	7.6
BC Lotteries (net of payments to the federal government)	842	811	719	12.8
BC Rail [5]	29	178	41	334.1
ICBC [6]	52	399	302	32.1
Other	1	5	8	(37.5)
	2,072	**2,412**	**1,884**	28.0
Total revenue	**30,492**	**33,233**	**29,060**	14.4

[1] $226 million budgeted as health-care related fees has been reclassified as miscellaneous revenue. $50 million budgeted as miscellaneous revenue has been reclassified as post-secondary fee revenue. These reclassifications have no impact on total budgeted revenue or the budget bottom-line.

[2] Percentage change between 2004/05 actual and 2003/04 actual.

[3] An additional $148 million federal Health Accord and Immunization Trust funding was finalized subsequent to the February 17, 2004 provincial budget. While this funding was authorized in the May 20, 2004 *Supply Act* and treated as part of the budget in three *Quarterly Reports*, this report reflects the original estimates tabled on February 17, 2004.

[4] Reflects the BC Utilities Commission direction to BC Hydro on the accounting treatment for asset retirement obligations.

[5] Figures represents BC Rail's earnings during government's fiscal year. On BC Rail's fiscal year basis (December), the reults are – 2004 (budget): $211 million; 2004 (actual): $195 million.

[6] Figures reflect ICBC's earnings during government's fiscal year. On ICBC's fiscal year basis (December), the results are – 2004 (budget): $52 million; 2004 (actual): $390 million.

Table 2.4 Expense by Ministry, Program and Agency

($ millions)	Budget 2004/05 [1]	Actual 2004/05	Actual 2003/04 [1]	Annual Change [2] (per cent)
Advanced Education	1,899	1,898	1,897	0.1
Education	4,943	4,887	4,787	2.1
Health Services [3]	10,558	10,606	10,466	1.3
Subtotal	17,400	17,391	17,150	1.4
Office of the Premier	44	42	50	(16.0)
Agriculture, Food and Fisheries	45	45	79	(43.0)
Attorney General	489	479	520	(7.9)
Children and Family Development	1,555	1,524	1,565	(2.6)
Community, Aboriginal and Women's Services	333	332	449	(26.1)
Energy and Mines	64	64	77	(16.9)
Finance	46	44	53	(17.0)
Forests	530	628	839	(25.1)
Human Resources	1,301	1,296	1,394	(7.0)
Management Services	61	56	61	(8.2)
Provincial Revenue	52	46	49	(6.1)
Public Safety and Solicitor General	503	503	599	(16.0)
Skills Development and Labour	19	18	20	(10.0)
Small Business and Economic Development	143	143	256	(44.1)
Sustainable Resource Management	281	153	91	68.1
Transportation	811	811	820	(1.1)
Water, Land and Air Protection	148	148	129	14.7
Total ministries and Office of the Premier	**23,825**	**23,723**	**24,201**	(2.0)
Legislation	46	42	41	2.4
Officers of the Legislature	27	27	23	17.4
BC Family Bonus	59	57	80	(28.8)
Management of public funds and debt	800	677	708	(4.4)
Government restructuring (ministries)	-	-	168	(100.0)
Contingencies and new programs	240	135	-	-
Other appropriations	12	11	14	(21.4)
Subtotal	25,009	24,672	25,235	(2.2)
Priority initiatives	-	452	-	-
Transportation infrastructure funding	-	750	-	-
Disbursement of BC Rail Partnership gain	-	169	-	-
Consolidated revenue fund expense	**25,009**	**26,043**	**25,235**	3.2
Expenses recovered from external entities	**1,632**	**1,705**	**1,738**	(1.9)
Grants to agencies and other internal transfers:				
Taxpayer-supported Crown agencies	(735)	(1,752)	(970)	80.6
School districts	(4,319)	(4,262)	(4,228)	0.8
Universities	(818)	(893)	(879)	1.6
Colleges, university colleges and institutes	(778)	(848)	(856)	(0.9)
Health authorities and hospital societies	(6,912)	(7,198)	(7,231)	(0.5)
CFD governance authorities	-	(1)	(4)	(75.0)
	(13,562)	(14,954)	(14,168)	5.5
Taxpayer-supported Crown agencies	1,904	2,130	2,077	2.6
SUCH sector and regional authorities:				
School districts	4,451	4,533	4,471	1.4
Universities	1,936	2,073	1,905	8.8
Colleges, university colleges and institutes	1,324	1,345	1,298	3.6
Health authorities and hospital societies [4]	7,598	7,782	7,776	0.1
CFD governance authorities	-	1	3	(66.7)
	17,213	17,864	17,530	1.9
Net spending of Crown agencies and the SUCH sector	**3,651**	**2,910**	**3,362**	
Total taxpayer-supported expense	**30,292**	**30,658**	**30,335**	1.1

[1] Budget amounts and prior year comparative figures have been restated to reflect government's organization and accounting policies as of March 31, 2005.

[2] Percentage change between 2004/05 actual and 2003/04 actual.

[3] An additional $146 million federal Health Accord and Immunization Trust funding was approved subsequent to the February 17, 2004 provincial budget. While this funding was authorized in the May 20, 2004 *Supply Act* and treated as part of the budget in three *Quarterly Reports*, this report reflects the original estimates tabled on February 17, 2004.

[4] Excludes inter-entity transactions between health authorities and hospital societies.

Major changes from budget include:

- Revenue in 2004/05 included an additional $148 million health care contribution due to the First Ministers' Accord on Health Care Renewal and new Public Health and Immunization funding finalized after budget.
- Revenue from taxation sources was $732 million above budget mainly due to higher revenues from personal and corporate income, property transfer, corporation capital and insurance premium taxes. In 2004/05, revenue included the impacts of the sales tax rate reduction to 7.0 per cent from 7.5 per cent (October 2004) and other measures announced in the February 2005 budget totaling $150 million.
- Personal income tax revenue was up $75 million mainly due to a higher tax base for 2003 and 2004, partly offset by $30 million of tax measures introduced in *Budget 2005*.
- Stronger 2003 BC corporate profit growth resulted in a $217 million gain from higher 2003 tax-year assessments. An additional $145 million increase was primarily due to an improved 2004 outlook for national corporate profits that resulted in higher instalment payments from the federal government.
- Social service tax revenue was on budget as the impact of higher 2003/04 and 2004/05 spending, reflecting stronger income and economic growth, was offset by the $120 million effect of reducing the sales tax rate to 7.0 per cent from 7.5 per cent (effective October 21, 2004).
- Property transfer tax revenue was $172 million above budget and 17 per cent higher than 2003/04 due to the robust housing market throughout the year due in part to lower mortgage rates, increased migration and the cumulative effect of federal and provincial income tax cuts. In 2004/05, the budget forecast assumed a moderation in residential house prices, compared to the 9.0 per cent increase that actually occurred.
- Revenues from other taxes were up $153 million mainly due to increased audit recoveries of corporation capital tax, higher insurance premium taxes mainly resulting from stronger 2003/04 results, and higher collections of tobacco, fuel, hotel room and property taxes, consistent with stronger income and economic growth.
- Revenue from energy and mineral sources was up $278 million as the effects of strong global demand for energy and mineral products resulted in higher prices for natural gas, oil and minerals. The plant inlet natural gas price averaged $5.72 per gigajoule in 2004/05, compared to $4.65 assumed at budget. The effects of increased prices were partly offset by lower natural gas production (2.8 per cent annual growth compared to 8.1 per cent assumed at budget) and reduced drilling rights acquisitions (552 thousand hectares disposed at auctions compared to the budget assumption of 954 thousand hectares).
- Forests revenue was $364 million above budget and up 34 per cent from the previous year as demand from a strong US housing market resulted in higher lumber prices and increased Crown harvest volumes. In 2004, the spruce-pine-fir 2X4 lumber price averaged US$394 per thousand board feet compared to US$300 assumed at budget and Crown harvest volumes totaled 70.9 million cubic metres in 2004/05, 7.4 million cubic metres higher than budget and up 15 per cent from 2003/04 levels.

Changes to the Equalization Revenue System

Summary

Fundamental changes to the Equalization program were confirmed at a First Ministers' meeting held in Ottawa on October 26, 2004. For British Columbia, these changes resulted in $577 million more in Equalization revenue for 2004/05 and prior years than was forecast in *Budget 2004* and the 2003/04 *Public Accounts*. As well, while BC's 2005/06 entitlement of $590 million is confirmed, amounts for subsequent years have not been finalized pending recommendations of an independent panel.

The New Equalization Framework

Starting in 2005/06, total Equalization entitlements for all (Equalization-recipient) provinces combined will be set in advance for the subsequent five-year period. This is a significant departure from the current Equalization program, since the total size of the program will no longer be based on the size of relative provincial disparities.

Another significant departure was the decision to eliminate the ongoing system of updates and revisions of Equalization entitlements for 2002/03 through 2005/06. In the past, a system of updates and revisions meant that final Equalization entitlements for a given fiscal year would not be known until 30 months after the end of that fiscal year. Under the new framework, Equalization entitlements for 2002/03 through 2005/06 have already been finalized, thereby eliminating the uncertainty that arose from the previous system of continuous revisions. Entitlements for 2006/07 and beyond, however, remain undetermined pending federal policy decisions.

Higher Equalization Revenue for 2004/05 and Prior Years

To determine (final) Equalization entitlements for 2004/05 and prior years, an individual floor for each province was established, to ensure that combined entitlements for 2001/02 through 2004/05 would not fall below the level estimated in February 2004. The February 2004 official federal estimates of BC Equalization entitlements for 2001/02 through 2004/05 totaled $1,312 million, whereas in October 2004, the total was $1,064 million. As a result, BC received a "floor payment" of $248 million ($1,312 million minus $1,064 million).

This floor payment was added to the official October 2004 federal estimates of Equalization entitlements for BC for 2001/02 through 2004/05. An additional one-time Equalization top-up was provided to Equalization-recipient provinces in the federal 2004 budget; this provided an additional $38.6 million in Equalization revenue to BC.

The following table shows the change in Equalization revenues since *Budget 2004* and the 2003/04 *Public Accounts*. In respect of prior years, final Equalization entitlements are $259 million higher than the *Public Accounts* amounts (which were based on the previous formula/system). For 2004/05, the higher base, floor payment and one-time top-up total $721 million, $319 million higher than the $402 million *Budget 2004* estimate (which, again, was based on the previous formula). In total, 2004/05 revenue is $577 million higher than originally forecast.

Equalization Revenue Calculations

$millions	*Budget 2004* and 2003/04 *Public Accounts*	Final Entitlements	Change
Prior Years			
2001/02	195.3	239.7	44.4
2002/03	-	70.5	70.5
2003/04	176.1	319.9	143.8
Total Prior Years	**371.4**	**630.1**	**258.7**
2004/05			
Base	402.0	433.9	31.9
Floor Payment	-	248.1	248.1
One-time Top-up	-	38.6	38.6
Total 2004/05	**402.0**	**720.6**	**318.6**
Total Including Prior Years	**773.4**	**1,350.7**	**577.3**

- A higher than forecast equalization entitlement of $577 million was due to the revised methodology used to calculate entitlements established at the First Ministers' Meeting (FMM) on October 26, 2004. BC entitlements for 2001/02 to 2005/06 are now finalized, and all prior year changes are included in this figure. Previously, final entitlements would not be known with certainty until 30 months after year-end. The revised methodology fundamentally changed the previous procedures. (See the topic box on page 45 for further information.)
- Other federal transfers (excluding equalization, additional health accord, and public health and immunization funding) were $160 million above budget. This included $49 million of health transfers for increased prior year entitlements and $111 million higher funding in support of post-secondary institutions, health authorities and other ministry program costs.

Commercial Crown Corporation Income

Commercial Crown corporations recorded a combined net income of $2.4 billion as compared to a budgeted net income of $2.1 billion.

Major changes from budget included:

- BC Hydro's $240 million operating income, before deferral account transfers, was $148 million lower than the projection in *Budget 2004*. The decrease from budget was primarily due to a $93 million decrease in electricity trade revenue and a $194 million increase in energy costs. Energy trade revenue declined mainly due to lower margins for forward energy prices. Low water inflows into hydro dam reservoirs (10 per cent below normal) and higher than anticipated domestic demand resulted in increased energy purchases. These reductions to net income were partially offset by the $137 million payment of an arbitration award by Alcan Inc. to Powerex for indemnities Alcan issued as part of a power sales arrangement with Enron Power Marketing Inc.

  BC Hydro's results also reflect the BC Utilities Commission decision with respect to BC Hydro's rate application, which included a 7.23 per cent interim increase effective April 1, 2004 and a second increase of 1.67 per cent in the Fall of 2004. The BCUC decision reduced these increases to 4.85 per cent. The lower rate increase was offset by domestic energy revenue being slightly higher than budget due to higher domestic demand.
- At $779 million, the Liquor Distribution Branch net income was a $19 million improvement over budget reflecting a 4.2 per cent increase in sales over budget and a $7.1 million increase in other income. The additional revenue was partially offset by a 6.6 per cent increase in product costs and discounts and a $3.9 million increase in operating costs, primarily from additional interest and bank charges due to higher credit card transaction volumes.
- BC Lotteries earnings of $811 million (after transfers to the federal government) were $31 million lower than budget. Gaming revenue was $83 million lower than expected, reflecting the maturity of the lottery and bingo markets and delays in opening new casinos and community gaming centres. The reduction was partially offset by lower operating costs.

BC Lotteries' impact on the provincial government's bottom line is partially offset by a $184 million distribution of gaming revenue to third parties, including $135 million to charities, $45 million to local governments, and $4 million in support of the horseracing industry. Of the $627 million retained by the province, $147 million was dedicated to the Health Special Account and the remainder to general revenue. Amounts provided to the Health Special Account are used to fund the administration, operation and delivery of health care, health research, health promotion and health education services.

- On government's fiscal year basis, BC Rail's results were $149 million higher than the budget forecast, primarily due to the completion of the BC Rail Investment Partnership transaction with CN in July 2004. *Budget 2004* had projected the completion date in the previous fiscal year. Instead the $199 million gain from the CN transaction was booked in the 2004/05 fiscal year.

  For the year ended December 31, 2004, BC Rail reported net income of $195 million – $16 million less than its plan for the year. The $199 million gain from the CN transaction was $36 million less than earlier projections, primarily due to the deferral of the operating lease revenue for the right of way and rail bed assets. As well, BC Rail increased its environmental liability by $30 million and wrote down its assets by $14 million to match their recoverable value. These reductions were partially offset by a $45 million decrease in the costs for repaying BC Rail debt and $19 million in other improvements, primarily due to the operating income from the industrial freight division prior to its transfer to CN as part of the partnership transaction.

- On government's fiscal year basis, ICBC's results were $347 million ahead of the budget forecast. The change from budget was due to a combination of higher revenue and lower claims and operating costs.

  ICBC reported a net income of $389 million for the calendar year ended December 31, 2004, a $337 million improvement over their budgeted net income of $52 million. Premium revenue was $64 million higher than budget due to higher premium volumes and ICBC maintaining its market share for optional coverage. Higher returns on investment portfolios resulted in a $65 million increase in investment income. Claims costs were $161 million lower than budget, reflecting improving claims trends and adjustments to prior year claims. Lower operating costs, including commissions and premium taxes, of $45 million and a $2 million gain from the sale of residual assets resulted in additional improvements to the bottom line.

Five-year financial statements for the above Crown corporations are presented in Appendix Tables A2.11 to A2.15.

Expense

Taxpayer-supported program and agency expense, when shown on an entity basis (see Table 2.4), is comprised of:

- net government spending from the consolidated revenue fund (CRF), which reflects the appropriations of ministries and legislative offices;

  plus,

- CRF program costs that are recovered directly from outside entities (ministry appropriations are approved net of these contributions);

  plus,

- the amount that spending by Crown agencies and the SUCH sector exceeds the transfers they receive from the CRF (i.e. net spending). Internal transfers are eliminated to avoid double counting of expense.

For 2004/05, program and agency expense totaled $30.7 billion, $366 million higher than the *Budget 2004* estimate and a 1.1 per cent increase over the previous year. The increase over budget reflects $1,034 million in additional CRF spending and a $73 million increase in recovered expenses, partially offset by a $741 million reduction in net spending by taxpayer-supported Crown agencies and the SUCH sector.

To comply with generally accepted accounting principles, expense is presented on a function basis that represents the broad categories under which government programs fall (see Appendix Table A2.8). Function reporting facilitates multi-year comparison of government spending in various areas such as health and education. Each function may encompass spending by a number of ministries, Crown agencies and SUCH sector entities.

Consolidated Revenue Fund expense

The February 17, 2004 budget for CRF spending was $25.0 billion as reflected in the 2004/05 *Estimates*, which included a $240 million provision in the Contingencies (All Ministries) and New Programs Vote. Additional authorizations of $1.6 billion were made during 2004/05 through *Supplementary Estimates* and various other statutes for a total spending authorization of $26.6 billion. Actual expenditures totaled $26.0 billion.

The additional authorizations were mainly for priority initiatives (see Table 2.5) and a $750 million transfer to the BC Transportation Financing Authority (BCTFA) to reduce debt and to fund the transportation infrastructure plan. As BCTFA is a Crown agency, the transfer had no effect on total expense due to its elimination from total expense as described above.

In addition to the priority initiatives listed above, the province invested $169 million of the gain from the BC Rail Investment Partnership in northern and First Nations communities:

- $135 million for the Northern Development Initiative;
- $15 million for the BC Rail First Nations Benefits Trust;

Table 2.5 Priority Initiatives Funded Through *Supplementary Estimates*

	($ millions)
Advanced Education – matching research funds	10
Agriculture, Food and Fisheries – BSE and avian flu response, competitiveness	27
Community, Aboriginal and Women's Services – local infrastructure	66
Energy and Mines – geo-science centre	25
Forests – Forest Revitalization trust, compensation, reforestation	112
Human Resources – costs arising from rate increase	10
Public Safety and Solicitor General – police equipment	3
Small Business and Economic Development – 2010 venues, infrastructure, Arts and Culture Endowment	163
Sustainable Resource Management – contaminated sites remediation	28
Water, Land and Air Protection – parkland acquisition	8
Total priority initiatives funded through *Supplementary Estimates*	**452**

- $13 million to *Legacies Now*; and
- $6 million in Asia Pacific Market Outreach initiatives and fuel cell research.

Ministry of Health Services expenditures included $148 million to fund regional health expenditures under the federal Health Accord and Immunization Trust. Excluding these costs, the ministry ended the year under spent by $100 million primarily due to a prior period accounting adjustment.

Ministry of Forests expenditures were $98 million higher than budget mainly due to $110 million in additional direct fire-fighting costs, for which the ministry has statutory spending authority, partially offset by other program savings. Similarly, the Ministry of Public Safety and Solicitor General was able to absorb an additional $6 million in flood relief costs due to cost management in other areas.

Several ministries finished the year below budget.

- Ministry of Education expenditures were $56 million lower primarily due to a change in accounting treatment regarding federal funding for first nations students.
- Ministry of Attorney General expenditures were $10 million lower primarily due to lower than expected expenditures under the *Crown Proceeding Act* and treaty negotiations, partially off-set by costs related to the Pickton, Air India and Eron trials.
- Ministry of Children and Family Development actual expenditures were $31 million lower primarily due to a prior period accounting adjustment.
- Ministry of Provincial Revenue actual expenditures were $6 million lower due to hiring delays and reduced amortization expense.
- Ministry of Sustainable Resource Management actual expenditures were $128 million lower, primarily due to below budget spending in the Crown Land Special Account.

- Expenses for the Management of Public Funds and Debt were $123 million below a budgeted $800 million due to lower than anticipated debt levels and interest rates.

- Other ministry cost management savings totaled $24 million.

A total of $135 million was accessed from the Contingencies (All Ministries) and New Programs Vote (see Table 2.6), leaving $105 million unspent.

Table 2.6 Pressures Allocated to Contingencies

	($ millions)
Agriculture, Food and Fisheries – BSE assistance and avian flu response	8
Attorney General – Pickton, Air India and other trials	9
Children and Family Development – leave liability	2
Community, Aboriginal and Women's Services – traffic fine sharing and community grants	55
Energy and Mines – Vancouver Island Gas Pipeline Assistant Agreement	11
Finance – Southeast Asian tsunami relief	8
Management Services – alternative service delivery and other operations	8
Public Safety and Solicitor General – disaster relief costs	8
Small Business and Economic Development – Olympic security, tourism	5
Sustainable Resource Management – BC Trust for Public Lands and site cleanup	10
Transportation – grants to small communities	6
Water, Land and Air Protection – Living Rivers	5
Total pressures allocated to contingencies	**135**

Other Expenses[2]

CRF spending is shown net of recoveries from external entities. Recoveries are obtained for items such as interest costs for loans issued under the Fiscal Agency Loan program and medical services provided to non-residents. As well, during the year, the federal government or other entities may decide to partner with a ministry on delivery of a short-term program where the ministry delivers the service and the external entity provides the funding. Under GAAP, the financial statements must disclose separately the revenue and spending related to recoveries.

In 2004/05, CRF spending funded by recoveries from external entities was $73 million higher than budget, primarily reflecting increased activity in a number of ministries for minor programs cost-shared with the federal government. This spending was offset by an equal increase in revenue.

Taxpayer-supported Crown agencies and SUCH sector entities provide a number of services to the public. These agencies and entities are primarily funded by the provincial government, but may also have outside sources of revenue.

[2] Revenue and spending of taxpayer-supported Crown corporations and SUCH sector organizations are combined with CRF revenue and expenses in Tables 2.3 and 2.4. Revenues and expenses for individual taxpayer-supported Crown corporations and SUCH sector organizations are provided in Appendix Table A2.10.

Some of the services provided by taxpayer-supported Crown agencies are highway construction (BC Transportation Financing Authority), property management (BC Buildings), property assessment (BC Assessment Authority), social housing (BC Housing Management Commission), transit services (BC Transit), and legal services (Legal Services Society).

The SUCH sector entities are school districts, universities, colleges, health authorities and hospital societies. These organizations are the primary providers of health and education services to British Columbians.

As both the taxpayer-supported Crown corporations and the SUCH sector organizations receive most of their funding from ministry budgets, their impact on total government spending is the amount by which their total spending exceeds any grants and transfers made to these organizations by the ministries and special offices. The spending in excess of grant funding is supported by the organizations' outside sources of revenue.

At $378 million, net spending by taxpayer-supported Crown corporations and agencies (i.e. spending in excess of transfers from the CRF) in 2004/05 was $791 million lower than in the *Budget 2004* fiscal plan (see Table 2.2). The reduction was primarily due to the BC Transportation Financing Authority receiving an additional $750 million from the CRF for purposes of debt reduction and funding for the transportation infrastructure plan. Spending increases by other taxpayer-supported Crowns also were offset by increased transfers from the CRF.

Net spending by SUCH sector organizations was $2,532 million in 2004/05 – $50 million higher than budget (see Table 2.2). The increase mainly reflects the inclusion of spending related to school-generated funds. Net spending by post secondary institutes was relatively stable compared to budget, as a net spending increase by universities was offset by a net spending decrease by colleges. The shift was due to the elevation of two colleges to university status during the year.

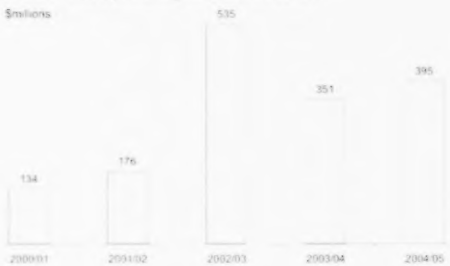
Further information on the impact that the inclusion of the SUCH sector has on government's financial statements is discussed in the topic box on page 52.

Impact of Including the SUCH Sector on the Summary Statements

Overview

Expanding the government reporting entity to include SUCH organizations requires full consolidation of the financial results of those organizations into the provincial government's budget and financial reports.

Chart 1 Net Operating Impact of SUCH



As noted in Chart 1, the positive impact of the SUCH sector on the province's bottom line in 2004/05 would have been mirrored in the previous four years had it been included in the government reporting entity.

While the SUCH sector organizations receive a significant proportion of their funding from the provincial government, they also have direct revenue that helps fund their operations. This includes direct contributions from the federal and municipal governments as well as own-source revenue, such as fees for student residences and tuition, charges to non-residents for health services, and sales from ancillary cafeteria services and retail outlets. Including direct SUCH sector revenue added approximately $2.9 billion to total provincial government revenue in 2004/05.

Spending by the SUCH sector organizations reflects the costs incurred to deliver health and education programs on behalf of the province, in keeping with statutory obligations. These programs are funded by a combination of government grants and direct revenue. SUCH sector organizations also deliver enhancements to the government-mandated programs, or provide other related services. The impact on total provincial government spending reflects SUCH entity spending that exceeds the grant funding provided to them. In 2004/05, this amounted to $2.5 billion.

Table 1 Financial Impact of SUCH

	2000/01	2001/02	2002/03	2003/04	Budget 2004/05	Actual 2004/05
Before Inclusion of SUCH						
Revenue	27,940	25,824	25,352	26,578	27,886	30,306
Expense	(26,709)	(28,648)	(28,624)	(28,204)	(27,810)	(28,126)
Surplus/(Deficit) before joint trusteeship	1,231	(2,824)	(3,272)	(1,626)	76	2,180
Taxpayer-supported capital spending	2,186	1,414	1,139	988	1,625	1,367
Taxpayer-supported debt	24,892	27,167	29,057	29,539	31,605	28,132
After Inclusion of SUCH						
Revenue	29,804	28,020	27,659	29,060	30,492	33,233
Expense	(28,439)	(30,668)	(30,396)	(30,335)	(30,292)	(30,658)
Surplus/(Deficit) before joint trusteeship	1,365	(2,648)	(2,737)	(1,275)	200	2,575
Taxpayer-supported capital spending	2,542	2,070	1,876	2,045	1,943	2,322
Taxpayer-supported debt	25,109	27,534	29,425	30,028	32,115	28,657
Net Fiscal Plan Impact of SUCH						
Revenue (direct revenue)	1,864	2,196	2,307	2,482	2,606	2,927
Expense (in excess of grant funding)	(1,730)	(2,020)	(1,772)	(2,131)	(2,482)	(2,532)
Surplus/(Deficit) before joint trusteeship	134	176	535	351	124	395
Taxpayer-supported capital spending	356	656	737	1,057	318	955
Taxpayer-supported debt	217	367	368	489	510	525

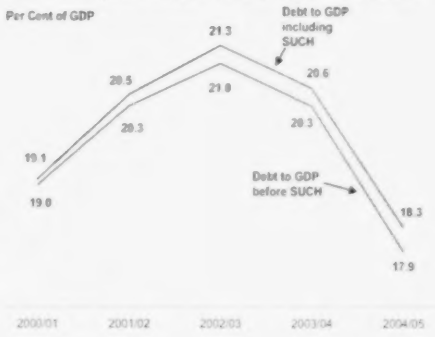
The year-over-year changes in net operating impact reflect both decisions on own source revenue as well as timing impacts for program implementation. For example, increases in direct revenue from 2001/02 to 2004/05 are due, in part, to additional fee revenue and higher demand for ancillary services.

SUCH organizations acquire capital infrastructure and equipment both for delivery of their primary service to the public and for ancillary support services, including commercial operations. The province provides annual capital grants towards the acquisition of primary service delivery capital. The SUCH sector enhances the government funding and funds other capital spending mainly from capital donations from other groups or by borrowing in the financial markets. The net impact of the SUCH sector on taxpayer-supported capital spending is the non-government funded capital spending by the SUCH sector.

SUCH sector organizations either borrow from the government through its fiscal agency loan program or directly from the financial markets. The net impact of the SUCH sector on taxpayer-supported debt is the debt borrowed by SUCH sector organizations from external markets (see Table 1). SUCH sector debt is used primarily to finance the construction of post-secondary institutions, hospitals and long-term care facilities. Chart 2 illustrates the impact of the additional debt on taxpayer-supported debt to GDP ratios.

Although the assets of the SUCH sector are reflected on government's balance sheet, some of the assets owned by these organizations have external restrictions on their use and therefore cannot be used to meet government's general obligations. Examples include endowment funds of post-secondary institutions, and assets owned by denominational hospitals that are used in the delivery of provincial health care services.

Chart 2 Taxpayer-supported Debt Impact of SUCH



2004/05 In Review

In *Budget 2004*, the SUCH sector was projected to have a $124 million positive impact on government's bottom line, adding $2,606 million to revenue and $2,482 million to expense. At $395 million, the actual result was $271 million higher than the budgeted impact, primarily due to a $321 million increase in direct revenue, partially offset by a $50 million increase in net spending - mostly by school districts.

At $177 million, the school district net operating impact was $116 million higher than budget. Direct revenue increased by $255 million, mainly due to the inclusion of school-generated funds, such as cafeteria and vending machines sales, and tuition charged to out-of-province students. The revenue increase was partially offset by a $139 million increase in net expenses (expenses in excess of grant funding), mainly due to spending related to school generated funds.

The universities net operating impact was $123 million, a $70 million improvement over budget. A $132 million increase in direct revenue was primarily due to higher than anticipated federal transfers and additional fee revenue. Net expenses increased by $62 million, as higher salary costs were partially offset by an increase in government transfers.

Table 2 2004/05 Impacts

	Schools		Universities		Colleges		Health Authorities	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Direct revenue								
Fees	90	125	426	479	337	357	195	189
Federal transfers	12	63	192	220	2	4	4	25
Other	91	260	553	604	206	204	498	397
	193	448	1,171	1,303	545	565	697	611
Expense in excess of grant funding								
Salaries	3,656	3,636	1,159	1,256	900	896	4,125	4,157
Operating costs	795	897	777	817	424	449	3,473	3,625
Net transfers/adjustments	(4,319)	(4,262)	(818)	(893)	(778)	(848)	(6,912)	(7,198)
	132	271	1,118	1,180	546	497	686	584
Net operating impact	61	177	53	123	(1)	68	11	27
Capital spending								
Total spending	196	239	318	535	90	160	323	524
Government funded capital	(134)	(118)	(182)	(168)	(34)	(31)	(259)	(186)
Net capital spending impact	62	121	136	367	56	129	64	338
Debt								
Total borrowing	30	17	386	379	79	77	117	134
Borrowing from government	-	-	(61)	(42)	(41)	(40)	-	-
Net debt impact	30	17	325	337	38	37	117	134

Colleges had a $68 million positive impact on government's bottom line, compared to a budget $1 million negative impact. The improvement was mainly due to higher fee revenue and an increase in government transfers.

At $27 million, the health authorities net operating impact was $16 million higher than budget. Higher spending of $184 million, primarily resulting from the Health Accord, was offset by a $286 million increase in government transfers, resulting in an overall $102 million reduction in net expense. This improvement was partially offset by an $86 million reduction in direct revenue, primarily due to lower recoveries of medical costs from out-of-province patients.

In *Budget 2004*, the SUCH sector was projected to fund $318 million in capital spending from sources outside of government. Actual self-funded spending was $637 million higher than budget due to $531 million in additional spending and a $106 million reduction in capital funding provided by ministries. The reduction in capital funding was primarily due to the impact of project delays on final transfer payments.

Education spending was up $330 million, reflecting additional land and equipment purchases by school districts and the expansion of existing projects by post secondary institutes.

Health spending increased by $201 million due to the commencement of construction on the Academic Ambulatory Care Centre and the expansion of existing capital projects and equipment purchases.

The SUCH sector net debt impact was slightly higher than the projection in *Budget 2004*, reflecting the repayment by universities of funds borrowed from government, an increase in borrowing by health authorities, and a reduction in school district debt.

Full-Time Equivalents (FTEs)

Staff utilization for ministries and taxpayer-supported agencies is measured in full-time equivalents. (SUCH sector employees are excluded.) FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. In 2004/05, FTEs were 419 below budget and 3,079 lower than the previous year (see Table 2.7).

Ministry and special offices utilization was 301 FTEs lower than budget, primarily due to lower than anticipated staffing levels in a number of ministries. Similarly, actual FTE utilization for taxpayer-supported Crown corporations and agencies was 118 FTEs lower than budget, reflecting minor workforce adjustments in a number of organizations.

The reduction in ministry and special offices FTEs as compared to the previous year (1,825 FTEs) is mainly due to reduced requirements for forest fire fighting and the completion of the three-year expenditure reduction plan by March 2004.

The reduction in Crown corporation and agency FTEs from the previous year (1,254 FTEs) reflects the impacts of transferring the Forensic Psychiatric Institute to Providence Health Care, restructuring BC Building Corporation's property management department, and transferring the Pacific National Exhibition to the City of Vancouver.

Table 2.7 Full-Time Equivalents (FTEs) Utilization

	Budget 2004/05	Actual 2004/05	Actual 2003/04	Annual Change [1]
				(per cent)
Ministries and special offices (CRF).....	27,160	26,859	28,684	(6.4)
Taxpayer-supported Crown corporations and agencies.....	3,940	3,822	5,076	(24.7)
Total FTEs	**31,100**	**30,681**	**33,760**	(9.1)

[1] Percentage change between 2004/05 actual and 2003/04 actual.

Provincial Capital Spending

Capital spending is required to build, acquire or replace assets such as roads, schools, post-secondary facilities, hospitals and related major equipment.

Capital spending does not flow directly to the government's annual surplus or deficit. Instead, as required by generally accepted accounting principles, capital costs are spread out over the useful lives of the related assets through annual amortization expenses. These amortization expenses are charged annually against the surplus. However, the cash requirements for capital projects have an immediate impact on provincial debt.

Capital spending in 2004/05 totaled $3.2 billion, $248 million above budget. Education and health facilities accounted for 47 per cent of total spending, power generation and transmission projects for 22 per cent, and transportation projects for 18 per cent (see Chart 2.3 and Table 2.8).

Table 2.8 Capital Spending

($ millions)	Budget 2004/05	Actual 2004/05	Actual 2003/04	Annual Change
Taxpayer-supported				(per cent)
Education				
Schools (K–12)	196	239	313	(23.6)
Post-secondary	408	695	605	14.9
Health	326	568	420	35.2
BC Transportation Financing Authority	500	513	436	17.7
Rapid Transit Project 2000	19	15	14	7.1
Vancouver Convention Centre Expansion Project	70	50	56	(10.7)
Columbia River power projects [1]	90	-	-	-
Government operating (ministries)	257	175	185	(5.4)
Other [2]	77	67	16	318.8
Total taxpayer-supported	**1,943**	**2,322**	**2,045**	13.5
Self-supported commercial				
BC Hydro	821	612	636	(3.8)
Columbia River power projects [1]	-	84	100	(16.0)
BC Rail	17	30	33	(9.1)
Insurance Corporation of British Columbia [3]	66	31	26	19.2
BC Lotteries	75	93	49	89.8
Liquor Distribution Branch	12	10	2	400.0
Total self-supported commercial	**991**	**860**	**846**	1.7
Total capital spending	**2,934**	**3,182**	**2,891**	10.1

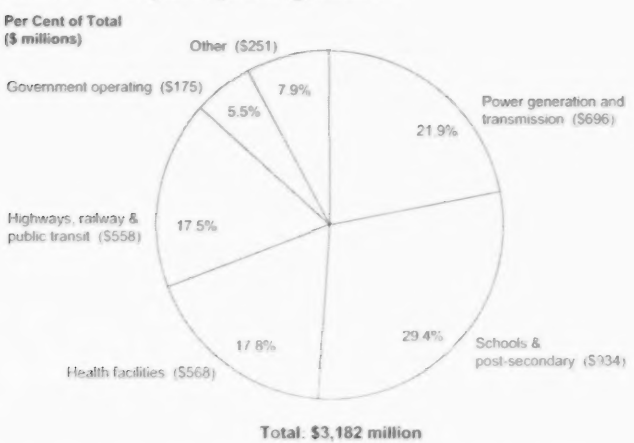
[1] Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

[2] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development and BC Transit.

[3] Includes ICBC Properties Ltd.

Taxpayer-supported capital spending includes schools, hospitals, post-secondary facilities and transportation projects, plus minor capital spending by ministries and other minor taxpayer-supported agencies. In 2004/05, spending of $2.3 billion was $379 million above budget mainly due to updated planning assumptions and an increased scope for existing health and education projects.

Chart 2.3 Capital Spending, 2004/05



Education spending was up $330 million, reflecting additional land and equipment purchases by school districts and the expansion of existing projects by post secondary institutes.

Health spending increased by $242 million due to the commencement of construction on the Academic Ambulatory Care Centre and Abbotsford Regional Hospital and Care Centre projects, and the expansion of existing capital projects and equipment purchases.

Other taxpayer-supported capital spending was $193 million lower than budget, reflecting lower ministry minor capital purchases, delayed spending for the Vancouver Convention and Exhibition Centre project and the reversion of Columbia River power projects to self-supported status.

Self-supported commercial Crown corporation capital spending includes projects undertaken by BC Hydro, BC Rail, ICBC and for Columbia River power projects. Spending for these agencies totaled $860 million, $131 million below budget mainly due to cancellation of BC Hydro's Georgia Strait [Pipeline] Crossing and Vancouver Island [Power] Generation projects (GSX/VIGP) and lower building improvement costs for the Surrey Central City mall. Lower spending was partially offset by the reversion of Columbia River power project expenditures to self-supported status and additional spending for gaming equipment.

Table 2.9 shows a summary of capital spending changes since the 2004/05 budget.

Table 2.9 Capital Spending – Changes from *Budget 2004*

($ millions)	Change	Final Results
Capital spending – *Budget 2004*		**2,934**
Taxpayer-supported		
Education facilities – mainly increased spending for post-secondary education projects	330	
Health facilities – updated health authorities capital plans and commencement of the Academic Ambulatory Care Centre and the Abbotsford Regional Hospital and Cancer Centre projects	242	
Columbia River power projects – reversion to self-supported status	(90)	
Government operating – lower minor capital spending	(82)	
Vancouver Convention and Exhibition Centre – delayed spending	(20)	
Other [1]	(1)	**379**
Self-supported commercial		
BC Hydro – mainly cancellation of the Georgia Strait pipeline crossing and Vancouver Island power generation projects	(209)	
Columbia River power projects – reversion to self-supported status	84	
BC Lotteries – additional spending for gaming equipment	18	
ICBC – reduced requirements and lower building improvements costs for Surrey Central City	(35)	
Other [2]	11	**(131)**
Total change		**248**
Capital spending – actual		**3,182**

[1] Includes BC Buildings, Rapid Transit Project 2000 and other taxpayer-supported Crown corporations.

[2] Includes BC Rail and Liquor Distribution Branch.

Significant capital projects (those with multi-year budgets totaling $50 million or more) are shown in Table 2.10. The table reflects cancellation of GSX/VIGP, tenant improvements at Surrey Central City for a Simon Fraser University satellite campus, and commencement of the Academic Ambulatory Care Centre and Abbotsford Regional Hospital and Care Centre projects.

Table 2.10 2004/05 Capital Expenditure Projects Greater Than $50 Million[1]

($ millions)	Start Date	Forecast Completion Date	Cumulative Spending at Mar. 31, 2004[2]	Spending April 1 to Mar. 31	Cumulative Spending at = Mar. 31, 2005	Total Project Budget[3]	Total Project Forecast[3]
Advanced Education facilities[4]							
UBC – Life Sciences Centre	Apr. 2002	Mar. 2005	72	38	110	110	110
SFU – Surrey Central City Campus	Mar. 2004	Sept. 2007	35	5	40	70	70
Total advanced education			107	43	150	180	180
Health facilities[4]							
Vancouver General Hospital, redevelopment project	Sept. 2000	Jan. 2007[5]	83	13	96	156	156
Academic Ambulatory Care Centre	Fall 2004	Summer/06	-	12	12	95	95
Abbotsford Regional Hospital and Cancer Centre	Fall 2004	Summer/08	-	39	39	316	316
Total health facilities			83	64	147	567	567
Transportation							
Trans Canada Highway – 5 Mile (Yoho) Bridge	May 1999	Fall 2006	27	6	33	44[6]	44[6]
Nisga'a Highway	Aug. 1998	Fall 2005	38	4	42	52	52
Sea-to-Sky Highway	April 2003	Winter 2009	17	50	67	234	234
SkyTrain extension - phase 1	Sept. 1998	June 2006	1,062	15	1,077	1,167	1,106
Total transportation			1,144	75	1,219	1,497	1,436
Power generation							
BC Hydro							
– Georgia Strait pipeline crossing			Proect cancelled				
– Vancouver Island generation project			Proect cancelled				
– Seven Mile Dam safety improvements	June 1999	Mar. 2005	42	20	62	100	64
– Mica Dam – generator stator replacement	Feb. 2004	July 2009	-	6	6	78	78
– Peace Canyon Dam – generator stator replacement and rotor modification	Feb. 2004	July 2009	-	1	1	64	64
Brilliant Expansion Power Corporation[7]							
– Brilliant Dam power expansion	Oct. 2002	Aug. 2006	84	74	158	205	205
Total power generation			126	101	227	447	411
Other							
ICBC Properties Ltd.							
– Surrey Central City Mall Ltd.	Sept. 1999	Dec. 2005[8]	230	13	243	312	284
Vancouver Convention Centre Expansion Project	2003	2008	44	13	57	230	230[9]
Total other			274	26	300	542	514

[1] Only projects that have been approved by Treasury Board and/or Crown corporation boards as at March 31, 2005 are included in this table. Ministry service plans may include projects that still require final approval.

[2] Total expenditures since commencement of each project.

[3] Represents sum of annual budgeted provincial expenditures to complete each project.

[4] Amounts shown exclude interest costs incurred during construction.

[5] Individual components were completed starting in December 2000 and will continue to be completed before the end of the overall project.

[6] Amount represents the provincial portion of this cost-shared project with the federal government. Total project budget is $65 million.

[7] A joint venture of the Columbia Power Corporation and the Columbia Basin Trust.

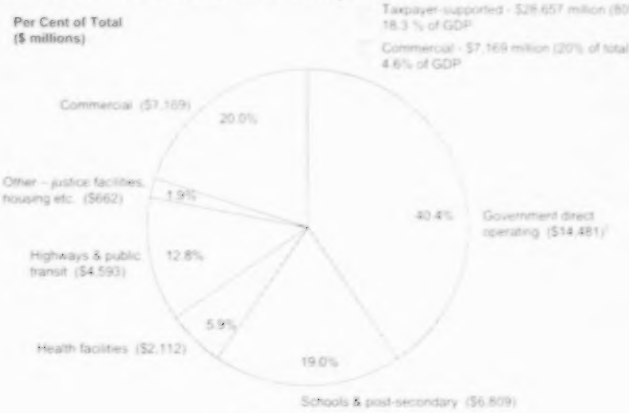
[8] The base building was substantially completed in January 2003, however, work to prepare space for new tenants is still required.

[9] Amount represents the provincial portion of this cost-shared project with the federal government and the tourism industry.

Provincial Debt

The government and its Crown corporations borrow to finance their own operations (for example, when revenues fall short of expenses), to finance construction of capital projects or other investments, to refinance maturing debt and to finance working capital needs.

Chart 2.4 Provincial Debt Components



[1] Amount includes debt to finance deficits, ministry minor capital spending and operating activities. It also includes ferry infrastructure debt and a portion of roads infrastructure debt incurred up to 1994/95.

Provincial debt decreased $1.9 billion to total $35.8 billion at March 31, 2005, or 22.9 per cent of provincial GDP (see Chart 2.4, Table 2.11 and Appendix Table A2.18). Approximately $30 billion or over 80 per cent of total debt reflects investments in capital assets – schools, hospitals, roads, transportation, utilities, and other forms of provincial infrastructure. The remaining $6 billion represents accumulated borrowing to fund public services.

Table 2.11 Provincial Debt Summary [1, 2]

($ millions)	Budget 2004/05	Actual 2004/05	Actual 2003/04	Annual Change (per cent)
Taxpayer-supported debt				
Provincial government direct operating	**16,558** [3]	**14,481**	**15,694**	(7.7)
Other taxpayer-supported debt (mainly capital)				
Education facilities [2]	6,901	6,809	6,521	4.4
Health facilities [2]	2,479	2,112	2,215	(4.7)
Highways and public transit	5,018	4,593	4,880	(5.9)
Other [4]	1,159	662	718	(7.8)
Total other taxpayer-supported debt	**15,557**	**14,176**	**14,334**	
Total taxpayer-supported debt	**32,115**	**28,657**	**30,028**	(4.6)
Self-supported debt				
Commercial Crown corporations and agencies	7,180	7,169	7,739	(7.4)
Total self-supported debt	**7,180**	**7,169**	**7,739**	(7.4)
Forecast allowance	**100**	-	-	-
Total provincial debt	**39,395**	**35,826**	**37,767**	(5.1)

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Includes debt and guarantees incurred by the government on behalf of school districts, universities, colleges and health authorities/hospital societies (SUCH), and debt directly incurred by these entities.

[3] Restated to reflect a change in accounting policy for the defeasance of debt (budget estimate is reduced by $57 million).

[4] Includes taxpayer-supported Crown corporations and agencies, other fiscal agency loans, student assistance loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

Table 2.12 Debt – Changes from *Budget 2004*

($ millions)	Change	Final Results
Provincial debt at March 31, 2004 – *Budget 2004*		**39,452**
Restatement for change in accounting policy for defeased debt	15	
March 31, 2004 year-end changes between budget forecast and the 2003/04 *Public Accounts*:		
Taxpayer-supported debt	(550)	
Self-supported commercial	478	
Adjusted provincial debt forecast at March 31, 2004 – post *Public Accounts*		**39,395**
Taxpayer-supported debt changes:		
Government operating:		
Higher taxation revenue	(732)	
Higher natural gas royalties	(226)	
Higher forestry revenue	(364)	
Higher federal transfers	(885)	
Early repayment of BC Ferry Services Inc. loan receivable	(427)	
Higher cash balances at the start of the year	(76)	
Reduced minor capital spending	(82)	
Priority spending initiatives	452	
Assumption of certain capital-related debt issues for health facilities	250	
Other changes	13	
Education facilities – mainly lower working capital requirements	(92)	
Health facilities – mainly assumption of certain capital-related debt issues by the provincial government ($250 million) and lower working capital requirements	(367)	
BC Transportation Financing Authority – mainly additional cash contribution from the provincial government to finance the transportation investment plan	(400)	
Columbia River power projects – impact of restoring the projects to commercial status	(262)	
Clarification of accounting treatment of indemnity to CN related to tax attributes	(255)	
Other (mainly lower working capital requirements)	(5)	
Total taxpayer-supported		**(3,458)**
Self-supported debt changes:		
BC Hydro – lower capital spending and other reduced working capital requirements	(268)	
Columbia River power projects – impact of restoring the projects to commercial status	257	
Total self-supported		**(11)**
Debt forecast allowance not needed		**(100)**
Provincial debt at March 31, 2005 – 2004/05 *Public Accounts*		**35,826**

Total debt was $3.6 billion below budget reflecting significantly improved government operating results, reduced working capital requirements and non-utilization of the forecast allowance.

Taxpayer-supported Debt

Taxpayer-supported debt decreased by $1.4 billion to total $28.7 billion at year-end (18.3 per cent of GDP). This was $3.5 billion below budget, mainly reflecting:

- lower borrowing requirements for government's consolidated revenue fund due to significantly better-than-expected operating results, early repayment of the BC Ferry Services loan receivable, lower ministry minor capital spending, and reduced working capital requirements;

- reduced working capital requirements for education and health facilities, and assumption by the provincial government of certain capital-related debt issues for health facilities;
- reduced borrowing requirements by the BC Transportation Financing Authority reflecting additional cash contributions by the provincial government to help finance the transportation investment plan;
- the impact of restoring Columbia River power projects to commercial status; and
- clarification of the accounting treatment of an indemnity to CN related to tax attributes in the BC Rail partnership agreement.

Self-supported Debt

Self-supported debt totaled $7.2 billion at March 31, 2005 (4.6 per cent of GDP). Debt at year-end was down $570 million from the previous year and $11 million below plan mainly reflecting:

- lower capital spending and other reduced working capital requirements for BC Hydro;

partially offset by

- the impact of restoring Columbia River power projects to commercial status.

Table 2.12 shows a summary of debt changes from the 2004/05 budget.

Although the summary accounts surplus was $2.6 billion, total provincial debt only decreased $1.9 billion. This was due to numerous factors including non-cash items included in the deficit (primarily amortization costs and deferred revenues from the federal government), timing differences between accrued revenue/expenses and actual cash receipts/disbursements, and changes in working capital items such as accounts receivable and accounts payable. Table 2.13 provides a reconciliation between the summary accounts deficit and the total provincial debt decrease.

Table 2.13 Reconciliation of Summary Surplus to Debt Decrease – 2004/05

	($ millions)
Operating statement surplus	**(2,575)**
Taxpayer-supported capital spending	2,322
Increase in cash and temporary investments	878
Amortization (non-cash expense included in the surplus)	(1,386)
Increase in deferred revenue	(1,169)
Other balance sheet and working capital changes	(11)
Total provincial debt decrease	**(1,941)**

Statement of Financial Position

The provincial government's statement of financial position (commonly referred to as a balance sheet) summarizes the consolidated assets and liabilities of central government, Crown corporations and agencies, and the SUCH sector. In accordance with generally accepted accounting principles, the government's financial position is presented on a net liabilities basis[1] (see Table 2.14).

Table 2.14 Net Liabilities and Accumulated Deficit

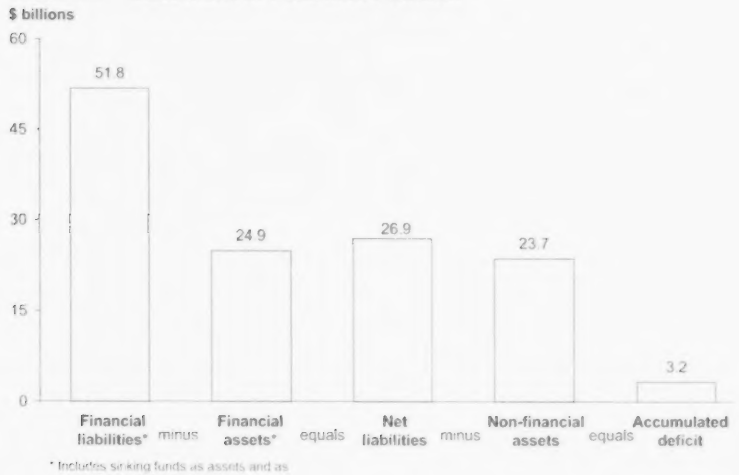
($ millions)	Budget 2004/05	Actual 2004/05	Actual 2003/04 [1]	Annual Change [2]
Financial assets	23,355	24,880	24,381	499
Less: liabilities	(52,283)	(51,760)	(52,900)	1,140
Net liabilities	**(28,928)**	**(26,880)**	**(28,519)**	**1,639**
Less: non-financial assets	23,814	23,730	22,794	936
Accumulated deficit	**(5,114)**	**(3,150)**	**(5,725)**	**2,575**

[1] Comparative figures have been restated to reflect government accounting policies in effect at March 31, 2005.
[2] Change between 2004/05 actual and 2003/04 actual.

Net liabilities represent the difference between government's financial assets and its liabilities, and is a key measure of the future revenue required to pay for past transactions and events.

By the end of 2004/05, the province's financial assets had increased by $499 million to $24.9 billion, mainly due to an $878 million increase in cash and temporary investments. Financial liabilities had decreased by $1,140 million to $51.8 billion mainly due to the $1.9 billion reduction in debt partially offset by a $1.2 billion increase in deferred revenue. The increase in deferred revenue primarily reflects the increase in federal funding arrangements for which the federal government has paid the cash in advance.

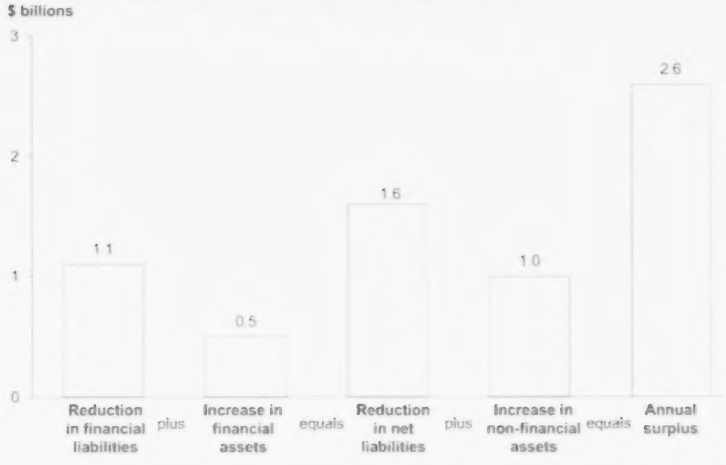
Chart 2.5 Statement of Financial Position



[1] Other jurisdictions refer to this as the "net debt" basis. In British Columbia, the term "net liabilities" is used to avoid confusion with provincial borrowing in financial markets, which is referred to as "debt".

The financial position of government at March 31, 2005 and the changes from the previous year are summarized in Charts 2.5 and 2.6. Further data on the statement of financial position and annual changes can be found in Appendix Tables 2.5 and 2.5a. A topic box on the trends over the last seven years for key indicators of the province's financial condition, following recommendations of the Canadian Institute of Chartered Accountants, is on page 64.

Chart 2.6 2004/05 Changes in Financial Position



Review of the Province's Financial Condition

Introduction

In 1997 the Canadian Institute of Chartered Accountants (CICA) published a report on the Indicators of Government Financial Condition. In the report, the CICA identified seven ratio indicators that apply to provincial governments and grouped them into three categories:

- Sustainability – the ability to maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy. The indicators in this group are the net liabilities to gross domestic product (GDP) ratio and the change in net liabilities relative to GDP.
- Flexibility – the degree to which a government can increase financial resources to respond to rising commitments, by either expanding its revenues or by increasing its debt burden. The indicators in this group are public debt charges as a percent of revenue, annual growth in capital assets, and the own-source revenue to GDP ratio. Own-source revenue is defined as revenue raised by the province within its jurisdiction and is calculated as total revenue less federal transfers.
- Vulnerability – the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding or costs outside its control or influence. The indicators in this group are federal government transfers as a percent of revenue and unhedged foreign currency debt as a percent of overall debt.

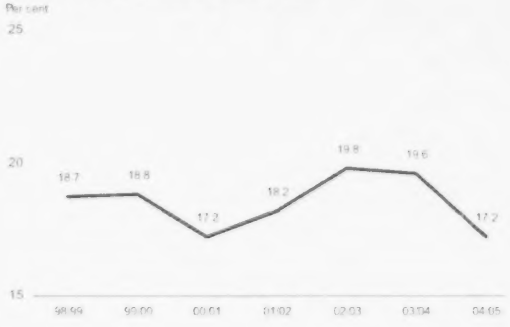
The BC Auditor General has recommended that the provincial government provide an analysis of BC's financial condition using these indicators. These indicators are still under assessment, and they may be replaced or supplemented with other indicators that are more relevant to the users of the province's financial statements.

Sustainability

Net liabilities to GDP[1] is a broader application of the familiar debt to GDP ratio. It incorporates not only debt, but also other obligations such as accounts payable and liabilities arising out of collective agreements. It also recognizes that the province has financial assets that could be used to retire debt and these other obligations should the need arise.

Net liabilities reflect the cumulative financial liability for all historical deficits, plus the acquisition of capital assets (e.g. hospitals, schools, roads, etc.) Chart 1 shows that, in 2004/05, net liabilities, as a percentage of GDP is the lowest it has been since 2000/01.

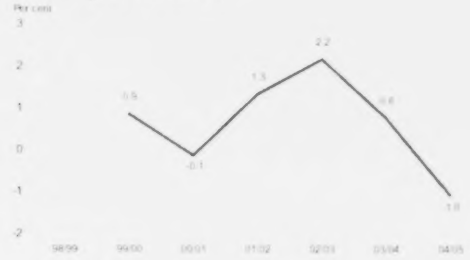
Chart 1 Net liabilities to GDP ratio



The annual change in net liabilities is equal to the annual surplus or deficit, plus the change in net assets for the year. The change in net liabilities as a percentage of GDP indicates the magnitude of the change in relation to the size of the economy. Chart 2 illustrates the trend towards improved sustainability as the change in the net liabilities to GDP ratio shrank significantly in 2003/04 and was negative in 2004/05, due to a reduction in net liabilities.

[1] The CICA, and other jurisdictions, refer to this measure as net debt to GDP. In BC, the term "net debt" has been applied to borrowing from financial markets.

Chart 2 Change in net liabilities as a per cent of GDP

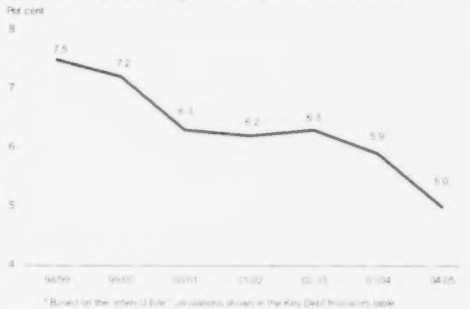


Net liabilities increased significantly in 2001/02 and 2002/03 as the provincial government incurred deficits. In 2003/04, the increase in net liabilities was much less due to the reduction in the deficit. Net liabilities decreased in 2004/05 for the first time since 2000/01 as the government posted a significant surplus.

Flexibility

Debt charges as a percent of revenue is an indicator of how much of a "bite" debt interest costs take out of provincial government revenue. Having to use a significant portion of revenue to service a debt burden limits government spending on program delivery. As is seen in Chart 3 the proportion of revenue used to pay debt charges has decreased over the last seven years. This is mainly due to lower interest rates on borrowing over the period.

Chart 3 Debt charges as a per cent of revenue



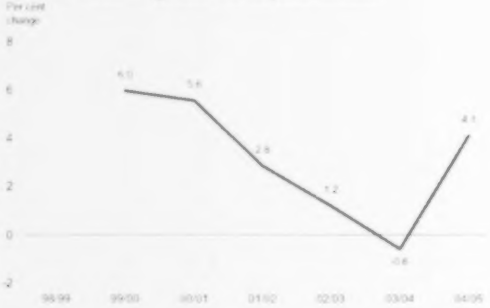
* Based on the interest rate calculations shown in the Key Debt Indicators table.

The annual growth in capital assets (i.e. capital spending less disbursements and depreciation) is an indicator of whether the provincial government is maintaining its infrastructure, a large portion of which is necessary for program delivery and sustained economic growth (e.g. education and health care facilities, highways, hydro-electric generation). A negative change indicates that government is wearing out its assets faster than it is renewing or expanding them. The change in assets is also impacted by asset write-downs and alternative service delivery initiatives.

The lower growth rate in capital assets in 2001/02 and 2002/03 reflects the write-down of the *PacifiCat* ferries and the winding down of construction on the Vancouver Island Highway and sky train Millennium Line projects. The impact of these events reduced the annual growth in assets by 1.3 per cent in each of the two fiscal years.

In 2003/04, the decline reflects the transfer of ferry assets to the new BC Ferry Services Inc., which further reduced assets by 2.5 per cent. Despite these adjustments, the province has increased its capital stock in six of the last seven years (see Chart 4).

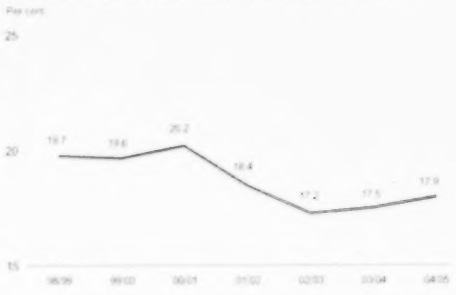
Chart 4 Annual growth in capital assets



Own-source revenue to GDP is an indicator of how much revenue the provincial government raises in the form of taxes, fees and other revenue in order to fund its activities. Own-source revenue excludes transfers from

the federal government. Since the 1998/99 fiscal year, the government has reduced its impact (see Chart 5), giving it more fiscal room to react to changing situations in the future.

Chart 5 Own-source revenue to GDP ratio

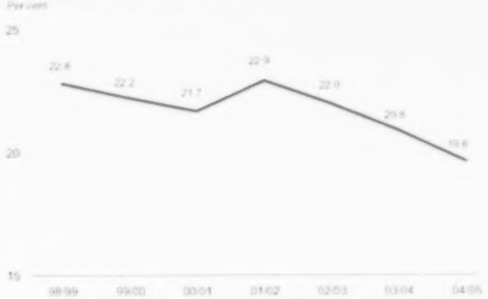


Own-source revenue peaked in 2000/01 primarily due to the impact of the energy price spike in 2000 on natural resource revenue. A decline in energy prices in 2001 led to a subsequent decline in government revenue. The tax measures introduced in the July 30, 2001 *Economic and Fiscal Update* significantly reduced the ratio of own-source revenue to GDP in 2002/03. Subsequent increases in the ratio in 2003/04 and 2004/05 reflect the impact of an improving BC economy on taxation and natural resource revenue.

Although it is not a CICA indicator, the provincial government also monitors its expense to GDP ratio as a measure of the flexibility it has in managing costs. The smaller the footprint the government leaves on the economy, the less impact a change would have on the overall financial well-being of British Columbians.

Government expense (i.e. the direct expenses of government plus the net spending of taxpayer-supported Crown agencies and the SUCH sector) as a proportion of the economy has declined steadily since 2001/02, and is at its lowest point in the last seven years (see Chart 6). This decrease occurred despite increases in government spending, primarily on health care and education, as the economy grew faster than spending over the period and spending declined in other areas.

Chart 6 Expense to GDP ratio

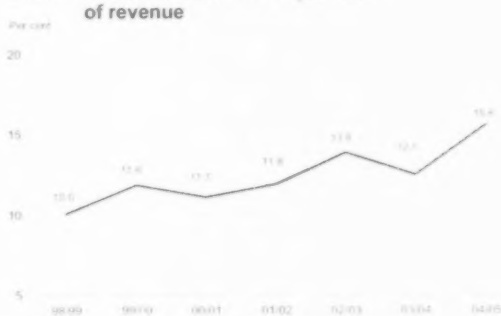


Vulnerability

The provincial government receives transfers from the federal government in support of social programs. In recent years, social transfers for health and childcare have increased significantly. As well, the provincial government began receiving payments under the federal equalization program.

The overall trend is that federal transfers are an increasing percentage of overall government revenue (see Chart 7). This leaves the government more exposed to the potential impact from federal funding cutbacks, and stresses the importance of obtaining a federal commitment to maintain transfer payments over the long term. The year-over-year fluctuations in this ratio are an indicator of the recent volatility of this revenue source.

Chart 7 Federal transfers as a per cent of revenue

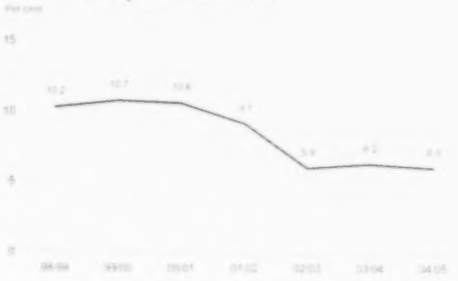


The provincial government's debt includes debt borrowed in foreign currencies. In order to protect itself from the impact of foreign exchange rate fluctuations on interest costs for this debt, the government uses financial derivative instruments such as currency swaps and forward contracts as a "hedge" around these costs.

Not all foreign currency debt is protected in this manner. Some commercial Crown corporations with significant revenue derived from US sources, such as BC Hydro, have a natural hedge for their $US-denominated debt resulting from their operations. Over the last seven years, the government has reduced its exposure, especially for debt owed by commercial Crown corporations (see Chart 8).

Summary

Chart 8 Unhedged foreign currency debt as a per cent of debt



No single indicator gives a complete financial picture of an organization; rather, they should be reviewed as a group. Over the last seven years, the provincial government has improved its net indebtedness relative to BC's economy while expanding the capital assets that are necessary for program delivery.

Falling interest rates have reduced the "bite" that debt interest costs have on revenue. As well, the government has reduced the amount of revenue it takes from the provincial economy in percentage terms. These factors give the government greater flexibility to react to future events. The provincial government also has moved to reduce the risk to the bottom line inherent in foreign-denominated debt.

While the positive trends are partially offset by the increasing importance of federal transfer revenue, overall the financial condition of the province has shown improvement at the end of 2004/05.

In order to ensure that its debt is sustainable and to enhance its financial flexibility, the provincial government intends to maintain a downward trend for its taxpayer-supported debt to GDP ratio, and to manage expenditure commitments within available revenues.

Credit Rating

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a higher-risk, lower-rated security. BC's improved fiscal outlook and its record for meeting annual budget targets has prompted upgrades from 3 rating agencies within the same year.

The ratio of taxpayer-supported debt relative to gross domestic product is a measure often used by investors and credit rating agencies when analyzing a province's ability to manage its debt load. British Columbia's taxpayer-supported debt to gross domestic product ratio is one of the lowest in Canada, translating into a strong credit rating and lower debt service costs.

More information on BC's upgrades, along with inter-provincial comparisons, is provided in the topic box on page 70.

Debt Indicators

Table 2.15 provides a historical summary of financial indicators that are used to depict the province's debt position, recent borrowing trends and the impact of debt on fiscal operating results.

Table 2.15 Key Debt Indicators – 2000/01 to 2004/05 [1]

	2000/01	2001/02	2002/03	2003/04	Budget 2004/05	Actual 2004/05
Debt to revenue (per cent)						
Total provincial	81.3	92.2	104.7	100.8	98.4	85.2
Taxpayer-supported	88.1	100.3	110.3	107.4	108.0	88.4
Debt per capita ($) [2]						
Total provincial	8,365	8,848	8,962	9,096	9,413	8,538
Taxpayer-supported	6,217	6,752	7,151	7,232	7,674	6,830
Debt to GDP (per cent) [3]						
Total provincial	25.7	26.9	26.7	26.0	26.8	22.9
Taxpayer-supported	19.1	20.5	21.3	20.6	21.8	18.3
Interest bite (cents per dollar of revenue) [4]						
Total provincial	6.3	6.2	6.3	5.9	6.0	5.0
Taxpayer-supported	6.7	6.3	6.3	6.0	6.4	5.0
Interest costs ($ millions)						
Total provincial	2,636	2,432	2,237	2,207	2,404	2,119
Taxpayer-supported	1,903	1,734	1,669	1,682	1,907	1,624
Interest rate (per cent) [5]						
Taxpayer-supported	7.6	6.6	5.9	5.7	6.1	5.5
Background Information:						
Revenue ($ millions)						
Total provincial [6]	41,551	39,127	35,232	37,464	40,048	42,058
Taxpayer-supported [7]	28,516	27,456	26,680	27,966	29,737	32,407
Total debt ($ millions)						
Total provincial	33,788	36,082	36,877	37,767	39,395	35,826
Taxpayer-supported [8]	25,109	27,534	29,425	30,028	32,115	28,657
Provincial GDP ($ millions) [9]	131,333	134,060	138,368	145,500	147,161	156,481
Population (thousands at July 1) [10]	4,039	4,078	4,115	4,152	4,185	4,196

[1] Figures for prior years and the 2004/05 budget have been restated to conform with the presentation used for 2005 and to include the effects of changes in underlying data and statistics.

[2] The ratio of debt to population (e.g. debt at March 31, 2005 divided by population at July 1, 2004).

[3] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. debt at March 31, 2005 divided by 2004 GDP).

[4] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

[5] Weighted average of all outstanding debt issues.

[6] Includes revenue of the consolidated revenue fund (excluding dividends from enterprises) plus revenue of all government organizations and enterprises.

[7] Excludes revenue of government enterprises, but includes dividends from enterprises paid to the consolidated revenue fund.

[8] Excludes debt of commercial Crown corporations and agencies and funds held under the province's warehouse borrowing program.

[9] GDP for the calendar year ending in the fiscal year (e.g. GDP for 2004 is used for the fiscal year ended March 31, 2005).

[10] Population at July 1st within the fiscal year (e.g. population at July 1, 2004 is used for the fiscal year ended March 31, 2005).

Provincial Credit Ratings

Bond rating agencies provide independent and globally consistent opinions about the credit worthiness of a debt issuer. The rating measures the risk of default on debt issued by a rated entity.

Each year, BC's economic and financial outlook, fiscal policy and debt position are evaluated by three credit rating agencies – Moody's Investors Service, Standard & Poor's and Dominion Bond Rating Service. Each agency assigns a rating to the province following their evaluation. A credit rating affects the borrower's debt servicing costs as investors will demand a higher interest rate on a higher-risk, lower-rated security.

The following table shows the relative inter-provincial credit ratings. In November 2004, Standard & Poor's upgraded BC's credit rating to AA from AA–, while Moody's Investors Service improved the province's credit rating to Aa1 (equivalent to AA+ using Standard & Poor's scale) from Aa2 in March 2005 and Dominion Bond Rating Service increased its rating to AA from AA (Low).

Interprovincial Comparison of Credit Ratings, June 2005

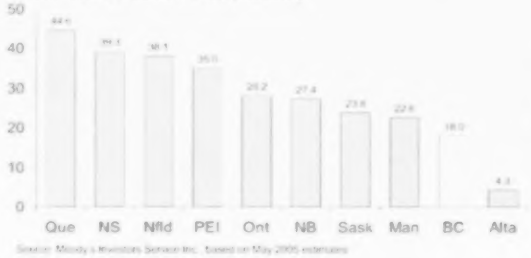
	Rating Agency		
Province	Moody's Investors Service	Standard & Poor's	Dominion Bond Rating Service
British Columbia	Aa1	AA	AA
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	AA-	A (High)
Manitoba	Aa2	AA-	A (High)
Ontario	Aa2	AA	AA
Quebec	A1	A+	A
New Brunswick	Aa3	AA-	A (High)
Nova Scotia	A2	A	A (Low)
Prince Edward Island	A2	A	A (Low)
Newfoundland	A3	A-	BBB (High)

The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa, AA/Aa, A, BBB/Baa, BB/Ba, and B. The "1", "2", "3", "high", "low", "+", and "-" modifiers show relative standing within the major categories. For example, AA+ exceeds AA and Aa2 exceeds Aa3.

Moody's analysis of the province recognized that BC has a "well-structured fiscal framework, low debt burden compared to Canadian provincial peers and low interest costs relative to revenue". Moody's also credited the government for implementing a "prudent fiscal framework focusing on the structural realignment of revenues and expenses, the reprioritization of program spending and regulatory reforms to stimulate economic growth".

Low debt burden compared to Canadian peers...

Per cent of GDP, at March 31, 2005 (estimated)



Source: Moody's Investors Service Inc., based on May 2005 estimates

...and low interest costs relative to revenue

Per cent of provincial revenue, at March 31, 2005 (estimated)

Source: Moody's Investors Service Inc., based on May 2005 estimates

Standard & Poor's echoed these comments while noting the province's four-year track record of meeting or exceeding budgetary targets and the government's strong management with improved transparency in budgetary reporting.

Dominion Bond Rating Service's rating considerations included as strengths the province's established fiscal credibility, an improving economic outlook and competitive personal tax rates.

Three rating upgrades within the same year recognize BC's improved economic and fiscal outlook, its record for meeting annual budget targets and the low taxpayer-supported debt burden relative to other provincial jurisdictions. The government will build upon these successes by continuing to promote a strong, vibrant and competitive economy; maintaining balanced budgets while protecting funding for health care and education; and ensuring debt remains affordable for future generations of British Columbians.

Appendix 2
Financial Review

Government's Financial Statements

Government Reporting Entity

The provincial government conducts its activities through:

- ministries;
- Crown corporations and agencies; and
- the SUCH sector (school districts; universities; colleges, university colleges and institutes; and health authorities and hospital societies).

The accounts relating to the ministries and other direct activities of government are contained in the Consolidated Revenue Fund (CRF), whose financial results are reported as a separate entity in the *Public Accounts*. The CRF comprises all money over which the legislature has direct power of appropriation. The operations of Crown corporations and agencies and the SUCH sector entities are recorded in their own financial statements, which are subject to audit by the Auditor General or by private-sector auditors. The relationship between the Crown corporations and the legislature is guided by governance agreements between the Crown corporation boards and their responsible ministers. The relationship between the SUCH sector entities and the legislature is set out in statute.

According to generally accepted accounting principles (GAAP) for senior governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, the province's financial reporting consolidates the financial results of all these entities into a single set of financial statements. The provincial government publishes its financial statements annually in the *Public Accounts*.

Compliance with GAAP

British Columbia's *Budget Transparency and Accountability Act* (BTAA) requires all financial documents produced by the province under that legislation to fully comply with GAAP starting with the 2004/05 fiscal year. Compliance with this requirement began with the February 2004 Budget and is completed in the 2004/05 *Public Accounts*.

Under GAAP, taxpayer-supported entities[1] are consolidated with the CRF on a line-by-line basis for both the income statement and balance sheet. Self-supported entities are disclosed on a modified equity basis – i.e. their net income is reported as revenue and their retained earnings as an investment.

Where the accounting policies of taxpayer-supported Crown corporations and agencies and the SUCH sector entities differ from those used by the central government in preparing its own consolidated revenue fund financial

[1] Crown corporations and agencies may be classified as either taxpayer-supported or self-supported. Crown corporations and agencies are considered self-supported if:

- the majority of their operating revenue comes from non-government sources; and
- their operating revenue is sufficient to cover operating and debt service costs, without the need for government grants or other forms of assistance.

Crown corporations and agencies that do not meet these criteria are classified as taxpayer-supported. (All SUCH sector entities are considered taxpayer-supported.)

statements, the Crown corporation and agency and SUCH sector entity financial statements are adjusted to conform to government's accounting policies.

Revenue and expenditure are recorded on an accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, as is the case with corporation income tax that is recorded on a cash basis. Assets are recorded to the extent that they represent financial claims by government upon outside parties; are items held for resale, prepaid expenses, deferred charges, or prepaid capital advances; or are tangible capital assets. Similarly, liabilities are recorded only if they represent actual or probable financial claims against the government.

Financial Statement Presentation

The 2004/05 financial statements reflect the process of government adopting a GAAP approach to disclosing the revenue and expenses of the government reporting entity in the *Estimates*, *Budget and Fiscal Plan* and *Quarterly Reports*.

In 2002/03 and previous years, the consolidated revenue fund, taxpayer-supported Crown corporations and agencies, and self-supported Crown corporations were shown separately on a net basis. The SUCH sector entities were excluded.

In 2003/04, the presentation was changed to a full consolidation format that disclosed the total revenue and total expenses of government. The new presentation maintained CRF ministry expenses (which are detailed in the *Estimates* for legislative approval) as a key element of the expense statement. In addition to showing expenses by major accountability area, a separate expense statement on a by-function basis was also provided in order to meet GAAP reporting requirements. However, the financial statements still did not include the SUCH sector, and debt was shown net of sinking funds.

For 2004/05, the financial statements, including the budget and quarterly reports, are fully GAAP compliant, as reflected in the unqualified opinion of the Auditor General. The SUCH sector is fully consolidated with the rest of

Chart A2.1 Changes in Accounting Presentation

government, and debt is disclosed at gross levels, including debt offset by sinking funds and defeasance trusts. Similarly, the income statement includes sinking fund and defeasance trust earnings as revenue and the interest cost of the debt at gross, before the earnings offset. The change in presentation does not affect the bottom line or net assets, only how revenue and expenses are shown in the financial statements.

In this appendix, unless otherwise noted, current and historical operating results are presented in accordance with the province's accounting polices effective March 31, 2005.

The Annual Financial Cycle[2]

The BTAA outlines the province's reporting requirements during the financial cycle and imposes specific reporting deadlines or release dates for these publications. In particular, fixed dates for presentation of the Throne Speech and budget, as well as dates for quarterly and annual reports, are set by law.

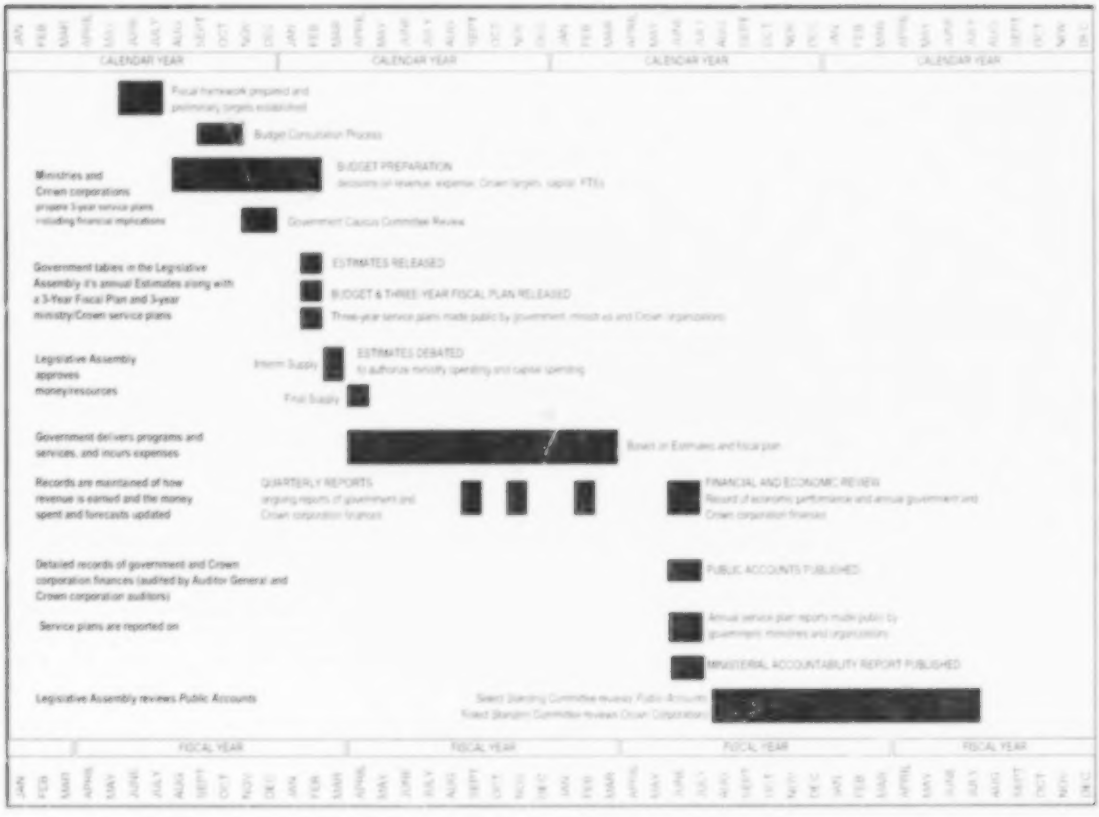
Under the BTAA, the provincial government focuses its budgeting and reporting on a summary accounts basis. The BTAA requirements include reporting on the advice of the Economic Forecast Council; presentation of the annual *Estimates, Budget and Fiscal Plan, Quarterly Reports, and Public Accounts* in accordance with GAAP by 2004/05; publication of *Quarterly Reports* with revised forecasts; annual three-year service plans and service plan reports for each ministry and government organization; and an annual three-year government strategic plan and report.

Chart A2.2 summarizes the annual financial process of the province. This process consists of four main stages.

- *Planning and Budget Preparation* — Treasury Board reviews longer-term estimates of revenue, expense, capital and debt, and establishes a preliminary fiscal plan within the framework of the government's overall strategic plan. Preliminary high-level targets are provided to ministries and received from Crown corporations. Ministries and Crown corporations prepare three-year service plans, including performance measures and targets, and operating and capital budgets, for review by Treasury Board and/or government Caucus committees. Treasury Board makes decisions on budget allocations for ministries and assesses Crown corporation net income benchmarks based on government revenue forecasts, spending and capital priorities, and debt targets within the context of the fiscal plan. Included as inputs into this process are a consultation paper published by September 15th that invites public comment on issues that need to be addressed in the fiscal and service plans, and province-wide public hearings held by a committee of the legislature. A report outlining the results of the budget consultation process is made public by November 15th of each year.
- *Implementation and Reporting* — The government's revenue, expense and capital plans for the next three fiscal years, as well as other information on the government's finances, are presented to the Legislative Assembly by the Minister of Finance in a budget document called the *Budget and Fiscal Plan*.

[2] Reflects the financial cycle for normal years. The cycle for 2005/06 is different because of an election held in May 2005. As a result, the *Estimates* will be tabled in the legislature in September 2005 along with the first *Quarterly Report* for 2005/06. Interim and final supply will be concluded in the Fall session of the Legislature. At the same time, the 2006/07 process starts in September 2005 with the release of the *Budget Consultation Paper* for the 2006/07 budget.

Chart A2.2 Financial Planning and Reporting Cycle Overview


CALENDAR YEAR
CALENDAR YEAR
CALENDAR YEAR
CALENDAR YEAR
Fiscal framework prepared and preliminary targets established
Budget Consultation Process
Ministries and Crown corporations prepare 3-year service plans including financial implications
BUDGET PREPARATION
decisions on revenue, expense, Crown targets, capital, FTEs
Government Caucus Committee Review
Government tables in the Legislative Assembly it's annual Estimates along with a 3-Year Fiscal Plan and 3-year ministry/Crown service plans
ESTIMATES RELEASED
BUDGET & THREE-YEAR FISCAL PLAN RELEASED
Three-year service plans made public by government, ministries and Crown organizations
Legislative Assembly approves money/resources
Interim Supply
ESTIMATES DEBATED
to authorize ministry operating and capital spending
Final Supply
Government delivers programs and services, and incurs expenses
Report on Estimates and fiscal plan
Records are maintained of how revenue is earned and the money spent and forecasts updated
QUARTERLY REPORTS
ongoing reports of government and Crown corporation finances
FINANCIAL AND ECONOMIC REVIEW
Record of economic performance and annual government and Crown corporation finances
Detailed records of government and Crown corporation finances (audited by Auditor General and Crown corporation auditors)
PUBLIC ACCOUNTS PUBLISHED
Service plans are reported on
Annual service plan reports made public by government, ministries and organizations
MINISTERIAL ACCOUNTABILITY REPORT PUBLISHED
Legislative Assembly reviews Public Accounts
Select Standing Committee reviews Public Accounts
Select Standing Committee reviews Crown Corporations
FISCAL YEAR
FISCAL YEAR
FISCAL YEAR
FISCAL YEAR

The financial plan for the next fiscal year is included in the document called the *Estimates*, which describes the individual appropriations to be voted on by the Legislative Assembly. The service plans and a report on major capital projects (those where government contribution exceeds $50 million) must also be tabled. Throughout the year, the authorized funding as specified in the *Estimates* and ministry service plans is spent on programs and services. Crown corporations follow approved service plans under the direction of their own Boards of Directors. *Quarterly Reports*, including full-year forecasts, are published by legislated dates to provide regular updates to the public on the government's finances.

- *Evaluation* — At the end of the fiscal year, the *Public Accounts* are prepared by the Comptroller General and examined by the Auditor General to ensure that the financial statements fairly present the government's financial position. The *Public Accounts* are augmented by the *British Columbia Financial and Economic Review*, which provides an overview of annual and historical financial and economic results. In addition, annual service plan reports are made public that compare actual results with ministry and Crown corporation performance targets.
- *Accountability* — The *Public Accounts* are presented to the Legislative Assembly and are reviewed by two committees of the Legislative Assembly

(the Select Standing Committee on the *Public Accounts* and the Select Standing Committee on Crown corporations). At the same time, the *Ministerial Accountability Report* is published detailing the individual and collective financial performance of cabinet ministers, and the performance and revenue results achieved by the Ministers of State and the Minister of Provincial Revenue. In addition, when the *Public Accounts* are tabled, ministries and most Crown corporations release their service plan reports detailing results for the previous fiscal year. A report on the government's strategic plan is also presented.

Unfunded Pension Liabilities

The province contributes to four defined benefit pension plans for most of its employees. These pension plans are managed under joint trusteeship arrangements with the plan members. Under joint trusteeship, the provincial government has no formal claim on plan surpluses or assets. As a result, government's balance sheet does not contain any liabilities for pensions other than MLA pensions, which are not part of a joint trusteeship arrangement.

In the event that a plan is determined to be in a deficit position, the pension boards, by agreement, are required to address the deficit through contribution adjustments or other measures. As a result, it is expected that any unfunded pension liability in the future would be short-term in nature. No unfunded liability exists for the future indexing of pensions, as the obligation is limited to the amount of available assets in separate inflation accounts.

The estimated financial positions of each plan (based on extrapolations of the most recent actuarial valuations) as at March 31, 2005 are shown in Table A2.1.

Actuarial valuations are performed on the pension plans every three years. The pension plans and the dates of their last actuarial valuation are:

Table A2.1 Pension Plan Balances

($ millions)	Pension Plan						
	Public Service	Municipal	Teachers'	College	Other	Total	2003/04
Accrued benefit obligation	(9,488)	(10,357)	(11,102)	(1,425)	(309)	(32,681)	(29,932)
Pension fund assets	11,756	10,610	10,870	1,650	323	35,209	33,074
Subtotal	**2,268**	**253**	**(232)**	**225**	**14**	**2,528**	**3,142**
Unamortized actuarial gain (loss)	-	915	711	176	(4)	1,798	972
Accrued net asset	**2,268**	**1,168**	**479**	**401**	**10**	**4,326**	**4,114**

- Public Service Pension Plan, March 31, 2002;
- Municipal Pension Plan, December 31, 2003;
- Teachers' Pension Plan, December 31, 2002; and
- College Pension Plan, August 31, 2003.

Key actuarial assumptions used in the valuations are:

- Public Service Pension Plan – long-term annual rate of return on fund assets (ARR) 7.30 per cent, long-term annual salary increase (ASI) 4.80 per cent;
- Municipal Pension Plan – ARR 7.00 per cent, ASI 4.50 per cent;
- Teachers' Pension Plan – ARR 7.25 per cent, ASI 4.75 per cent; and
- College Pension Plan – ARR 7.20 per cent, ASI 4.70 per cent.

The pension plans are administered by the BC Pension Corporation. The audited financial statements of each pension plan, along with full descriptions, benefit formulas, inflation assumptions and funding polices may be found on the corporation's website at *www.pensionsbc.ca*.

Adjustments to the Accumulated Deficit

During 2004/05, a number of retroactive adjustments were made to the province's financial statements to reflect changes in accounting policy and to correct previously published information. Table A2.2 provides a summary of the changes that have been reviewed and approved by the Office of the Auditor General.

The main adjustment to the prior year accumulated deficit relates to the inclusion of the SUCH sector discussed earlier in this appendix. Inclusion of

Table A2.2 Summary of Changes in Accumulated Deficit from the 2004/05 *Public Accounts* reported balance

($ millions)	Change	Final Results
Accumulated deficit on March 31, 2003 as reported in the 2003/04 *Public Accounts*		**(8,015)**
Opening balance adjustments due to accounting policy changes in 2004/05:		
Inclusion of SUCH sector (including restatements)	4,247	
Deferral of bonus bid payments previously reported as revenue in year received	(934)	
Inclusion of debt previously considered defeased and the related trusts	7	
Inclusion of Leading Edge Endowment Fund Society	51	
BC Hydro restatement to comply with CICA guidelines on asset retirement obligation	229	
BC Buildings adjustment to deferred revenue from entities external to government	(26)	
BC Housing Management Commission impact of restatement of Canada Mortgage and Housing Corporation funds received accrual	(9)	3,565
Accumulated deficit on March 31, 2003 as reported in the 2004/05 *Public Accounts*		**(4,450)**
2003/04 deficit:		
As reported in the 2003/04 *Public Accounts*	(1,339)	
Adjustments due to accounting policy changes in 2004/05:		
Impact of including SUCH sector in the government reporting entity (including restatements)	351	
Impact of deferral of bonus bid payments	(344)	
Social services tax accrual adjustment	23	
Impact of including debt previously considered defeased and related trusts	31	
Impact of including Leading Edge Endowment Fund Society	1	
BC Hydro restatement for change in asset retirement obligation accrual	13	
BC Rail accrual for asset retirement obligations as per new CICA guideline	(10)	
BC Housing Management Commission impact of restatement of Canada Mortgage and Housing Corporation funds received accrual	(6)	
BC Transportation Financing Authority correction to capitalize interest on highway project debt	5	(1,275)
Accumulated deficit on March 31, 2004 as reported in the 2004/05 *Public Accounts*		**(5,725)**

the SUCH sector reduced the 2003/04 accumulated deficit of the province by $4.6 billion.

Another major restatement relates to bonus bid revenue received from the oil and gas industry for exploration and development rights. Previously, bonus bid payments were recorded as revenue in the year they were received. An analysis of the rights conveyed by the bonus bids showed that they have an average life of eight years, so the payments are now deferred and amortized to revenue over the average life of the bonus bid rights.

In 2004/05, BC Hydro adopted the new CICA (Canadian Institute of Chartered Accountants) standard on asset retirement obligations (AROs). BC Hydro had previously recorded a more generous provision for the site restoration liabilities. The new CICA standard reduced the liability and the 2003/04 accumulated deficit by $242 million. The ARO standard was adopted also by BC Rail, which recorded a $10 million liability. This was the initial accrual of this liability for BC Rail.

Adoption of GAAP means that defeasance trusts must be reported as assets and the defeased debt included in the debt balance. Due to the requirement for defeasance trusts to pay the interest costs of the related debt as well as the principal, the value of the trust is higher than the amount of debt being defeased. This had a $38 million positive impact on the 2003/04 accumulated deficit.

Other restatements reflected a revision to the social services tax accrual for 2003/04, the inclusion of the Leading Edge Endowment Fund Society as part of the government reporting entity and some minor adjustments to the financial results of the BC Buildings Corporation, BC Housing Management Commission and the BC Transportation Financing Authority.

Supplementary Schedules

The following tables provide multi-year financial information on the government of British Columbia including revenue, expense, debt and summarized operating results of major Crown corporations. Tables A2.4 and A2.20 provide summaries of changes to the income statement, capital spending and debt since the third *Quarterly Report* released on February 15, 2005. Tables A2.25 to A2.27 provide information on provincial taxes as of June 2005.

Table A2.3 Operating Statement Update Since the Third *Quarterly Report*

($ millions)	Changes	Updated Forecast
***Budget 2004* Fiscal Plan (February 17, 2004)**		**100**
Revenue increases up to the third *Quarterly Report*	2,234	
Expense increases up to the third *Quarterly Report*	(694)	
Forecast allowance changes up to the third *Quarterly Report*	(200)	1,340
2004/05 surplus – third *Quarterly Report* (February 15, 2005)		**1,440**
2004/05 *Public Accounts* Update:		
Revenue changes		
Social service tax revenue – strong fourth quarter sales	90	
Other taxes – mainly corporation capital and insurance premium taxes	86	
Energy revenue – mainly higher prices	55	
Forests revenue – mainly one-time softwood lumber fees and higher volumes	58	
Investment earnings – mainly BCTFA and postsecondary institutions	51	
Federal contributions – mainly higher contribution for ministry costs	57	
All other taxpayer-supported revenue – higher revenue from miscellaneous sources and sales of goods and services in the SUCH sector, partly offset by lower fee revenue	151	
Commercial Crown corporation operating results:		
BC Hydro – primarily higher energy, operating and debt servicing costs	(70)	
BC Lotteries – mainly lower casino revenue due to delayed approvals for new casinos	(31)	
ICBC – higher revenues and lower claims and insurance operations costs	39	
Other Crown corporation changes – primarily LDB operating improvements	21	
Net revenue decrease		**507**
Expense changes		
Health – program savings	100	
Contingencies – unspent balance	105	
Additional interest cost savings	14	
Other ministry savings	173	
CRF expense decreases	392	
Other taxpayer-supported Crown agencies expenses and adjustments	(64)	
Net expense decrease		**328**
Forecast allowance reduction		**300**
Total change		**1,135**
2004/05 surplus – *Public Accounts*		**2,575**

Table A2.4 Operating Statement – 2000/01 to 2004/05 [1]

($ millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Taxpayer-supported programs and agencies:					
Revenue	28,079	26,935	25,893	27,176	30,821
Expense	(28,439)	(30,668)	(30,396)	(30,335)	(30,658)
Taxpayer-supported balance	**(360)**	**(3,733)**	**(4,503)**	**(3,159)**	**163**
Commercial Crown corporation net income	1,725	1,085	1,766	1,884	2,412
Surplus/(deficit) before joint trusteeship	**1,365**	**(2,648)**	**(2,737)**	**(1,275)**	**2,575**
Joint trusteeship	(52)	1,464	-	-	-
Surplus/(deficit)	**1,313**	**(1,184)**	**(2,737)**	**(1,275)**	**2,575**

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2005.

Table A2.5 Statement of Financial Position – 2000/01 to 2004/05[1]

($ millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Financial assets					
Cash and temporary investments	1,935	2,452	2,617	2,690	3,568
Other financial assets	5,751	5,663	5,373	6,339	6,676
Sinking funds	6,000	5,518	5,074	4,619	4,516
Investments in commercial Crown corporations					
Retained earnings	*3,001*	*2,520*	*2,858*	*3,221*	*3,219*
Recoverable capital loans	*7,111*	*7,246*	*7,231*	*7,512*	*6,901*
	10,112	9,766	10,089	10,733	10,120
Warehouse borrowing program assets	1,312	1,067	-	-	-
	25,110	**24,466**	**23,153**	**24,381**	**24,880**
Liabilities					
Accounts payable & accrued liabilities	6,418	5,361	5,961	6,826	6,583
Deferred revenue	2,072	2,349	3,043	4,087	5,256
Debt:					
Taxpayer-supported debt	*25,109*	*27,534*	*29,425*	*30,028*	*28,657*
Self-supported debt	*8,679*	*8,548*	*7,452*	*7,739*	*7,169*
Total provincial debt	*33,788*	*36,082*	*36,877*	*37,767*	*35,826*
Add: sinking fund investments presented as assets	6,000	5,518	5,074	4,619	4,516
Less: guarantees and non-guaranteed debt	*(597)*	*(464)*	*(415)*	*(399)*	*(421)*
Financial statement debt	39,191	41,136	41,536	41,987	39,921
	47,681	**48,846**	**50,540**	**52,900**	**51,760**
Net liabilities	**(22,571)**	**(24,380)**	**(27,387)**	**(28,519)**	**(26,880)**
Capital and other assets					
Tangible capital assets	21,487	22,135	22,413	22,255	23,117
Other assets	555	532	524	539	613
	22,042	**22,667**	**22,937**	**22,794**	**23,730**
Accumulated surplus (deficit)	**(529)**	**(1,713)**	**(4,450)**	**(5,725)**	**(3,150)**

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2005.

Table A2.5a Changes in Financial Position – 2000/01 to 2004/05

($ millions)	2000/01	2001/02	2002/03	2003/04	2004/05
(Surplus) deficit for the year:	**(1,313)**	**1,184**	**2,737**	**1,275**	**(2,575)**
Capital asset changes:					
Increase in taxpayer-supported capital investments	*2,542*	*2,070*	*1,876*	*2,045*	*2,322*
Less: amortization and other accounting changes	*(1,382)*	*(1,445)*	*(1,606)*	*(2,188)*	*(1,386)*
	1,160	**625**	**270**	**(143)**	**936**
Increase (decrease) in net liabilities	**(153)**	**1,809**	**3,007**	**1,132**	**(1,639)**
Investment and working capital changes:					
Increase (reduction) in cash and temporary investments	(739)	517	165	73	878
Increase (decrease) in warehouse borrowing investments	(8)	(245)	(1,067)	-	-
Increase in total investment in commercial Crown corporations	*930*	*410*	*1,036*	*1,189*	*1,016*
Less: loan repayments and other accounting changes	*(942)*	*(756)*	*(713)*	*(545)*	*(1,629)*
	(12)	(346)	323	644	(613)
Other working capital changes	2,790	210	(2,028)	(1,398)	(692)
	2,031	**136**	**(2,607)**	**(681)**	**(427)**
Increase (decrease) in financial statement debt	**1,878**	**1,945**	**400**	**451**	**(2,066)**
Increase (decrease) in sinking funds	(2,191)	482	444	455	103
Increase (decrease) in guarantees and non-guaranteed debt	(337)	(133)	(49)	(16)	22
Increase (decrease) in total provincial debt	**(650)**	**2,294**	**795**	**890**	**(1,941)**

Table A2.6 Revenue by Source[1] – 2000/01 to 2004/05

($ millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Taxation revenue					
Personal income	5,963	5,366	4,150	4,877	5,050
Corporate income	1,054	1,522	612	775	1,255
Social service	3,626	3,552	3,794	4,024	4,156
Fuel	715	659	687	875	904
Tobacco	460	499	606	647	699
Property	1,452	1,481	1,541	1,574	1,661
Property transfer	262	303	407	518	604
Other[2]	771	728	555	540	588
	14,303	14,110	12,352	13,830	14,917
Natural resource revenue					
Natural gas royalties	1,249	836	1,056	1,230	1,439
Columbia River Treaty	632	360	100	230	258
Other energy and minerals	444	430	473	535	612
Forests	1,341	1,253	1,323	1,014	1,363
Other resources	308	298	270	300	301
	3,974	3,177	3,222	3,309	3,973
Other revenue					
Medical Services Plan premiums	894	954	1,355	1,447	1,465
Post secondary fees	440	452	580	781	836
Other healthcare-related fees	211	221	217	225	189
Motor vehicle licences and permits	339	342	351	363	381
Other fees and licences	1,070	1,073	1,056	715	750
Investment earnings	1,470	1,274	1,024	950	833
Sales of goods and services	945	890	875	610	640
Miscellaneous[3]	1,137	1,122	1,038	1,327	1,606
	6,506	6,328	6,496	6,418	6,700
Contributions from the federal government					
Health and social transfers	2,619	2,445	2,606	3,044	3,421
Equalization	-	158	543	(330)	979
Other cost shared agreements[4]	677	717	674	905	831
	3,296	3,320	3,823	3,619	5,231
Taxpayer-supported programs and agencies	**28,079**	**26,935**	**25,893**	**27,176**	**30,821**
Commercial Crown corporations					
BC Hydro (before regulatory transfers)	549	258	352	90	240
Liquor Distribution Branch	642	637	654	724	779
BC Lotteries (net of payments to the Federal government)	554	598	663	719	811
BC Rail[5]	(7)	(166)	4	41	178
ICBC[5]	(14)	(242)	80	302	399
Other	1	-	13	8	5
	1,725	**1,085**	**1,766**	**1,884**	**2,412**
Total revenue	**29,804**	**28,020**	**27,659**	**29,060**	**33,233**

[1] In order to comply with generally accepted accounting principles, revenue of school districts, post-secondary institutions and regional health authorities/societies is included in the government's reporting entity beginning in 2004/05. To conform with this presentation, prior years have been restated based on unaudited financial information in the *Public Accounts*.

[2] Includes revenue from corporation capital, insurance premium and hotel room taxes.

[3] Includes asset dispositions, reimbursements for health care and other services provided to external agencies, and other recoveries.

[4] Includes contributions for health, education, housing and social service programs, for transportation projects, and for coastal ferry services.

[5] Amounts represent earnings during government's fiscal year.

Table A2.7 Five-Year Revenue by Source[1] – Supplementary Information

	2000/01	2001/02	2002/03	2003/04	2004/05
Per Cent of GDP: [2]			(per cent)		
Taxation	10.9	10.5	8.9	9.4	9.5
Natural resource	3.0	2.4	2.3	2.3	2.5
Other	5.0	4.7	4.7	4.4	4.3
Contributions from the federal government	2.5	2.5	2.8	2.5	3.3
Commercial Crown operating results	22.7	20.9	20.0	20.0	21.2
Total Revenue	**44.1**	**41.0**	**38.7**	**38.7**	**40.9**
Growth Rates:			(per cent)		
Taxation	4.0	-1.3	-12.5	12.0	7.9
Natural resource	43.4	-20.1	1.4	2.7	20.1
Other	9.5	-2.7	2.7	-1.2	4.4
Contributions from the federal government	3.6	0.7	15.2	-5.3	44.5
Commercial Crown operating results	2,201.5	-6.0	-1.3	5.1	14.4
Total Revenue	**114.9**	**-5.1**	**-2.6**	**5.0**	**13.9**
Per Capita Revenue: [3]			(dollars)		
Taxation	3,540	3,460	3,000	3,331	3,555
Natural resource	984	779	783	797	947
Other	1,611	1,552	1,578	1,546	1,597
Contributions from the federal government	816	814	929	872	1,247
Commercial Crown operating results	7,379	6,870	6,721	6,999	7,919
Total Revenue	**14,330**	**13,475**	**13,013**	**13,543**	**15,264**
Real Per Capita Revenue (2004 dollars) [4]	15,525	14,366	13,555	13,819	15,264
– growth rate (per cent)	109.5	-7.5	-5.6	1.9	10.5

[1] Revenue has been restated to reflect the government's accounting policy at March 31, 2005. Figures exclude dedicated revenue collected on behalf of, and transferred to, the Greater Vancouver Transportation Authority (*Translink*) and other public bodies outside of the government reporting entity.

[2] Revenue as a per cent of GDP is calculated using GDP for the calendar year ending in the fiscal year (e.g. 2004/05 revenue divided by GDP for the 2004 calendar year). Totals may not add due to rounding.

[3] Per capita revenue is calculated using July 1 population (e.g. 2004/05 revenue divided by population on July 1, 2004).

[4] Revenue is converted to real (inflation-adjusted) terms using the consumer price index (CPI) for the corresponding calendar year (e.g. 2004 CPI for 2004/05 revenue). Totals may not add due to rounding.

Table A2.8 Expense By Function[1] – 2000/01 to 2004/05

($ millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Health	9,563	10,694	11,080	11,365	11,633
Education	7,798	8,273	8,445	8,764	9,022
Social services	3,279	3,484	3,151	2,819	2,665
Protection of persons and property	1,173	1,216	1,248	1,365	1,215
Transportation	1,577	1,576	1,762	1,278	1,448
Natural resources and economic development	1,790	1,847	1,533	1,486	1,670
Other	731	814	821	1,074	1,028
Government restructuring	-	347	172	123	-
General government	435	564	539	489	505
Debt servicing	2,093	1,853	1,645	1,572	1,472
Total expense	28,439	30,668	30,396	30,335	30,658

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2005.

Table A2.9 Five-Year Expense by Function[1] – Supplementary Information

	2000/01	2001/02	2002/03	2003/04	2004/05
Per Cent of GDP:			(per cent)		
Health care	7.3	8.0	8.0	7.8	7.4
Education	5.9	6.2	6.1	6.0	5.8
Social services	2.5	2.6	2.3	1.9	1.7
Protection of persons and property	0.9	0.9	0.9	0.9	0.8
Transportation	1.2	1.2	1.3	0.9	0.9
Natural resources and economic development	1.4	1.4	1.1	1.0	1.1
Other expense	0.6	0.6	0.6	0.7	0.7
General government [2]	0.3	0.7	0.5	0.4	0.3
Debt servicing	1.6	1.4	1.2	1.1	0.9
Total expense	**21.7**	**22.9**	**22.0**	**20.8**	**19.6**
Growth Rates:			(per cent)		
Health care	7.5	11.8	3.6	2.6	2.4
Education	6.9	6.1	2.1	3.8	2.9
Social services	4.4	6.3	-9.6	-10.5	-5.5
Protection of persons and property	-1.3	3.7	2.6	9.4	-11.0
Transportation	-8.3	-0.1	11.8	-27.5	13.3
Natural resources and economic development	24.7	3.2	-17.0	-3.1	12.4
Other expense	3.1	11.4	0.9	30.8	-4.3
General government [2]	1.2	109.4	-22.0	-13.9	-17.5
Debt servicing	4.1	-11.5	-11.2	-4.4	-6.4
Total expense	**6.0**	**7.8**	**-0.9**	**-0.2**	**1.1**
Per Capita Expense:			(dollars)		
Health care	2,368	2,622	2,692	2,737	2,772
Education	1,931	2,028	2,052	2,111	2,150
Social services	812	854	766	679	635
Protection of persons and property	290	298	303	329	290
Transportation	390	386	428	308	345
Natural resources and economic development	443	453	373	358	398
Other expense	181	200	199	259	245
General government [2]	108	223	173	147	120
Debt servicing	518	454	400	379	351
Total expense	**7,041**	**7,520**	**7,386**	**7,306**	**7,306**
Real Per Capita Expense (2004 dollars)	7,628	8,017	7,694	7,455	7,306
– growth rate (per cent) [2]	3.4	5.1	-4.0	-3.1	-2.0

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2005.

[2] Includes restructuring costs.

Note: Per capita expense is calculated using July 1 population (e.g. 2004/05 expense divided by population on July 1, 2004). Similarly, expense as a per cent of GDP is calculated using GDP for the calendar year ending in the fiscal year (e.g. 2004/05 expense divided by GDP for the 2004 calendar year). Expense is converted to real (inflation-adjusted) terms using the consumer price index (CPI) for the corresponding calendar year (e.g. 2004 CPI for 2004/05 expense). Totals may not add due to rounding.

Table A2.10 Taxpayer-supported Entity Operating Statements [1] – 2000/01 to 2004/05

($millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Taxpayer-supported Crown Corporations and Agencies:					
BC Transportation Financing Authority					
Revenue	477	466	419	622	1,383
Expense	(476)	(466)	(439)	(497)	(578)
	1	-	(20)	125	805
Accounting adjustments	*(184)*	*(185)*	*(179)*	*(177)*	*(172)*
Net impact	(183)	(185)	(199)	(52)	633
British Columbia Buildings Corporation					
Revenue	462	465	485	515	447
Expense	(411)	(428)	(433)	(468)	(396)
	51	37	52	47	51
Accounting adjustments	*(8)*	*16*	*12*	*(4)*	*(4)*
Net impact	43	53	64	43	47
British Columbia Housing Management Commission					
Revenue	228	260	263	279	284
Expense	(228)	(260)	(263)	(279)	(284)
	-	-	-	-	-
Accounting adjustments	*4*		*1*	*7*	*4*
Net impact	4	-	1	7	4
British Columbia Transit					
Revenue	120	118	136	138	146
Expense	(120)	(119)	(136)	(138)	(148)
	-	(1)	-	-	(2)
Accounting adjustments	*8*	*(9)*		*(3)*	*(1)*
Net impact	8	(10)	-	(3)	(3)
Tourism British Columbia					
Revenue	29	35	34	33	45
Expense	(29)	(36)	(34)	(37)	(45)
	-	(1)	-	(4)	-
Accounting adjustments	*1*	*(2)*	*1*		*5*
Net impact	1	(3)	1	(4)	5
Other taxpayer-supported Crown corporations and agencies					
Revenue	1,744	1,601	1,213	693	736
Expense	(1,748)	(1,826)	(1,236)	(661)	(679)
	(4)	(225)	(23)	32	57
Accounting adjustments	*(29)*	*175*	*(62)*	*65*	*43*
Net impact	(33)	(50)	(85)	97	100
Total net impact	**(160)**	**(195)**	**(218)**	**88**	**786**

Table A2.10 Taxpayer-supported Entity Operating Statements [1] – 2000/01 to 2004/05 – (continued)

($millions)	2000/01	2001/02	2002/03	2003/04	2004/05
SUCH Sector and Regional Authorities:					
School Districts					
Revenue	4,274	4,308	4,417	4,569	4,666
Expense	(4,222)	(4,277)	(4,230)	(4,471)	(4,533)
	52	31	187	98	133
Accounting adjustments	*4*	*11*	*(37)*	*51*	*44*
Net impact	56	42	150	149	177
Universities					
Revenue	1,506	1,720	1,828	1,991	2,158
Expense	(1,433)	(1,612)	(1,712)	(1,905)	(2,073)
	73	108	116	86	85
Accounting adjustments	*47*	*31*	*70*	*32*	*38*
Net impact	120	139	186	118	123
Colleges, University Colleges, and Institutes					
Revenue	1,149	1,215	1,290	1,362	1,400
Expense	(1,138)	(1,212)	(1,257)	(1,298)	(1,345)
	11	3	33	64	55
Accounting adjustments	*43*	*51*	*14*	*10*	*13*
Net impact	54	54	47	74	68
Health Authorities					
Revenue	5,670	6,432	7,127	7,538	7,667
Expense	(5,668)	(6,486)	(7,125)	(7,589)	(7,602)
	2	(54)	2	(51)	65
Accounting adjustments	*(100)*	*(12)*	*155*	*102*	*(40)*
Net impact	(98)	(66)	157	51	25
Hospital Societies					
Revenue	519	558	594	649	648
Expense	(523)	(559)	(598)	(665)	(646)
	(4)	(1)	(4)	(16)	2
Accounting adjustments	*6*	*8*	*(1)*	*(25)*	*-*
Net impact	2	7	(5)	(41)	2
Children and Family Development Governance Authorities [2]					
Revenue	-	-	2	4	1
Expense	-	-	(1)	(3)	(1)
	-	-	1	1	-
Accounting adjustments	-	-	*1*	-	-
Net impact	-	-	2	1	-
Total net impact	**134**	**176**	**537**	**352**	**395**

Table A2.10 Taxpayer-supported Entity Operating Statements [1] – 2000/01 to 2004/05 – (continued)

($millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Net operating statements of taxpayer-supported Crown corporations and agencies					
Revenue	3,060	2,945	2,550	2,280	3,041
Accounting adjustments	*(187)*	*(175)*	*(147)*	*(119)*	*(113)*
Net revenue	2,873	2,770	2,403	2,161	2,928
Expense	(3,012)	(3,135)	(2,541)	(2,080)	(2,130)
Accounting adjustments	*(21)*	*170*	*(80)*	*7*	*(12)*
Net expense	(3,033)	(2,965)	(2,621)	(2,073)	(2,142)
Net fiscal plan impact	**(160)**	**(195)**	**(218)**	**88**	**786**
Net operating statements of SUCH sector and regional authorities					
Revenue	13,118	14,233	15,258	16,113	16,540
Accounting adjustments	*(202)*	*(157)*	*(334)*	*(478)*	*(466)*
Net revenue	12,916	14,076	14,924	15,635	16,074
Expense	(12,984)	(14,146)	(14,923)	(15,931)	(16,200)
Accounting adjustments	*202*	*246*	*536*	*648*	*521*
Net expense	(12,782)	(13,900)	(14,387)	(15,283)	(15,679)
Net fiscal plan impact	**134**	**176**	**537**	**352**	**395**
Total net operating statements of taxpayer-supported entities					
Revenue	16,178	17,178	17,808	18,393	19,581
Accounting adjustments	(389)	(332)	(481)	(597)	(579)
Net revenue	15,789	16,846	17,327	17,796	19,002
Expense	(15,996)	(17,281)	(17,464)	(18,011)	(18,330)
Accounting adjustments	181	416	456	655	509
Net expense	(15,815)	(16,865)	(17,008)	(17,356)	(17,821)
Net fiscal plan impact	**(26)**	**(19)**	**319**	**440**	**1,181**

[1] Revenue and expense are shown as reported in the entity financial statements and service plans, before consolidation and accounting adjustments.
[2] The amount of funding to be transferred, and the timing of the transfer, will be based on an assessment of Authority readiness.

Table A2.11 British Columbia Hydro and Power Authority
Five-Year Income Statement for the Years Ended March 31

($ millions)	2001	2002	2003	2004	2005
Revenue:					
Domestic	2,431.0	2,450.0	2,475.0	2,553.0	2,704.0
Electricity trade [1]	5,458.0	3,861.0	632.0	871.0	1,021.0
	7,889.0	6,311.0	3,107.0	3,424.0	3,725.0
Expenses:					
Energy costs	5,162.0	4,407.0	1,126.0	1,580.0	1,959.0
Operating expenses	929.0	716.0	718.0	768.0	774.0
Depreciation	380.0	386.0	417.0	526.0	446.0
Finance charges	559.0	544.0	457.0	452.0	443.0
	7,030.0	6,053.0	2,718.0	3,326.0	3,622.0
Operating results	859.0	258.0	389.0	98.0	103.0
Unusual items	(310.0)	-	(37.0)	(8.0)	137.0
Income before regulatory account transfers	549.0	258.0	352.0	90.0	240.0
Net transfer (to) from regulatory accounts	(103.0)	145.0	66.0	21.0	162.0
Net income	446.0	403.0	418.0	111.0	402.0

[1] Beginning in 2002/03, in response to US accounting standards, BC Hydro reported electricity trade revenue related to swaps, forward trades and options on a net basis.

Source: British Columbia Hydro and Power Authority.

Table A2.12 Liquor Distribution Branch
Five-Year Income Statement for the Years Ended March 31

($ millions)	2001	2002	2003	2004	2005
Provincial liquor sales	1,719.2	1,792.9	1,885.3	1,998.2	2,148.4
Less: Cost of sales [1]	891.6	929.6	981.0	1,061.7	1,139.9
Gross margin	827.6	863.3	904.3	936.5	1,008.5
Operating expenses	(197.9)	(231.9)	(254.9)	(218.3)	(240.0)
Other income	12.7	5.3	4.8	5.5	10.1
Net income	642.4	636.7	654.2	723.7	778.6

[1] Includes discounts and commissions.

Source: Liquor Distribution Branch.

Table A2.13 British Columbia Lottery Corporation
Five-Year Income Statement for the Years Ended March 31

($ millions)	2001	2002	2003	2004	2005
Gaming revenue	1,483.0	1,607.4	1,792.4	1,889.6	2,027.3
Less: Prizes and direct costs	796.1	863.5	987.0	1,015.0	1,048.7
Gross margin	686.9	743.9	805.4	874.6	978.6
Operating expenses (net)	(124.9)	(137.8)	(134.5)	(147.0)	(159.7)
Net income	562.0	606.1	670.9	727.6	818.9
Allocation of net income					
Government of Canada	7.4	7.6	7.8	7.9	8.0
Funding for provincial gaming programs	3.7	4.1	3.2	0.5 [1]	-
Transfers to charities/local governments	137.2	145.6	171.1	184.7	183.7
Contribution to provincial revenue	413.7	448.8	488.8	534.5	627.2
	562.0	606.1	670.9	727.6	818.9

[1] Commencing in 2003/04, the funding for most programs was provided by the ministry responsible for delivery from its voted appropriation.

Source: British Columbia Lottery Corporation.

Table A2.14 British Columbia Railway Company
Five-Year Income Statement for the Years Ended December 31 [1]

($ millions)	2000	2001	2002	2003	2004
Revenue	333.5	301.8	366.7	364.0	242.3
Expenses	293.1	266.6	301.2	285.5	238.0
Operating income	40.4	35.2	65.5	78.5	4.3
Non-operating expenses	(28.7)	(29.7)	(17.2)	(37.7)	(7.6)
Income from continuing operations before special charges	11.7	5.5	48.3	40.8	(3.3)
Unusual items	(8.0) [2]	(79.8) [3]	(118.9) [4]	-	198.6 [5]
Income (loss) from continuing operations	3.7	(74.3)	(70.6)	40.8	195.3
Results of discontinued operations	(10.4)	(32.6)	(13.6)	25.6	-
Net income (loss)	(6.7)	(106.9)	(84.2)	66.4	195.3

[1] Prior years are restated to be consistent with the current presentation.
[2] Provision to reflect anticipated future costs of environmental remediation.
[3] Restructuring costs.
[4] Write-down of investment in Vancouver Wharves Limited Partnership.
[5] Gain from the BC Rail/CN transaction.
Source: British Columbia Railway Company.

Table A2.15 Insurance Corporation of British Columbia
Five-Year Income Statement for the Years Ended December 31

($ millions)	2000	2001	2002	2003	2004
Revenue:					
Net premiums	2,387.0	2,447.1	2,628.5	2,852.4	3,026.5
Investment income	625.7	454.0	327.3	329.9	395.3
	3,012.7	2,901.1	2,955.8	3,182.3	3,421.8
Claims and expenses:					
Claims incurred	2,006.2	2,126.3	2,193.5	2,208.1	2,267.5
Prior years' claims adjustments	(266.3)	2.2	(24.8)	10.4	(46.2)
Net claims incurred	1,739.9	2,128.5	2,168.7	2,218.5	2,221.3
Claims operations expense	333.0	316.6	272.0	273.7	280.7
Operating costs - insurance	479.2	456.7	355.6	376.8	427.6
Operating costs - non-insurance	103.4	110.3	99.3	102.6	105.3
	2,655.5	3,012.1	2,895.6	2,971.6	3,034.9
Income before unusual items	357.2	(111.0)	60.2	210.7	386.9
Unusual items	(218.5) [1]	(139.5) [2]	(15.2) [3]	14.1 [4]	2.4 [4]
Net income (loss)	138.7	(250.5)	45.0	224.8	389.3

[1] Road Safety Dividend.
[2] Includes restructuring costs ($39.5 million) and a provision for a reduction in investment value ($100 million).
[3] Restructuring costs.
[4] Gain on sale of property and equipment.
Source: Insurance Corporation of British Columbia.

Table A2.16 Full-Time Equivalents (FTEs) [1,2] – 2000/01 to 2004/05

	2000/01	2001/02	2002/03	2003/04	2004/05
Ministries and special offices (CRF)	33,579	33,495	29,751	28,684	26,859
Taxpayer-supported Crown corporations and agencies	8,450	8,447	7,814	5,076	3,822
Total FTEs	**42,029**	**41,942**	**37,565**	**33,760**	**30,681**

[1] Full-time equivalents (FTEs) are a measure of staff employment. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. This does not equate to the physical number of employees. For example, two half-time employees would equal one FTE, or alternatively, three FTEs may represent two full-time employees who have worked sufficient overtime hours to equal an additional FTE.

[2] FTE amounts do not include SUCH sector staff employment.

Table A2.17 Capital Spending – 2000/01 to 2004/05

($ millions)	2000/01	2001/02	2002/03	2003/04	2004/05
Taxpayer-supported					
Education					
Schools (K–12)	595	459	383	313	239
Post-secondary	254	391	412	605	695
Health	459	275	422	420	568
BC Transportation Financing Authority	485	344	275	436	513
Rapid Transit Project 2000	300	210	35	14	15
BC Ferries	55	55	58	-	-
Vancouver Convention Centre Expansion Project	-	-	-	56	50
Government operating (ministries)	183	203	183	185	175
Other [1]	211	133	108	16	67
Total taxpayer-supported	**2,542**	**2,070**	**1,876**	**2,045**	**2,322**
Self-supported					
BC Hydro	412	545	741	636	612
Columbia River power projects [2]	126	118	54	100	84
BC Rail	124	78	52	33	30
ICBC [3]	78	107	41	26	31
BC Lotteries	13	20	30	49	93
Liquor Distribution Branch	20	26	9	2	10
Total self-supported commercial	**773**	**894**	**927**	**846**	**860**
Total capital spending	**3,315**	**2,964**	**2,803**	**2,891**	**3,182**

[1] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings Corporation, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development, and BC Transit.

[2] Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

[3] Includes ICBC Properties Ltd.

Table A2.18 Five-Year Provincial Debt Summary [1]

($ millions)	2000/01	2001/02	2002/03	2003/04	Budget 2004/05	Actual 2004/05
Taxpayer-supported debt						
Provincial government direct operating	**12,007**	**13,779**	**15,447**	**15,694**	**16,558**	**14,481**
Other taxpayer-supported debt (mainly capital)						
Education facilities [2]						
Schools	3,910	4,126	4,333	4,409	4,557	4,483
Post-secondary institutions	1,548	1,717	1,791	2,112	2,344	2,326
	5,458	5,843	6,124	6,521	6,901	6,809
Health facilities [2]	1,926	2,075	2,146	2,215	2,479	2,112
Highways, ferries and public transit						
BC Transportation Financing Authority	2,197	2,514	2,661	2,764	2,874	2,474
BC Ferries	21	19 [3]	-	-	-	-
BC Transit	75	79	87	83	88	78
Public transit	948	936	930	914	915	906
SkyTrain extension	836	1,044	1,105	1,119	1,141	1,135
Rapid Transit Project 2000 Ltd.	114	47	3	-	-	-
	4,191	4,639	4,786	4,880	5,018	4,593
Other						
BC Buildings	610	596	456	317	247	241
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [4]	337	-	-	-	-	-
Social housing [5]	265	299	161	156	180	133
Homeowner Protection Office	71	113	123	129	126	130
Columbia River power projects [6]	-	-	-	-	262	-
Other [7]	244	190	182	116	344	158
	1,527	1,198	922	718	1,159	662
Total other taxpayer-supported debt	**13,102**	**13,755**	**13,978**	**14,334**	**15,557**	**14,176**
Total taxpayer-supported debt	**25,109**	**27,534**	**29,425**	**30,028**	**32,115**	**28,657**
Self-supported debt						
Commercial Crown corporations and agencies						
BC Hydro	6,649	6,670	6,784	7,040	7,174	6,906
BC Rail [8]	603	614	494	477	-	-
Columbia River power projects [6]	113	184	165	215	-	257
Liquor Distribution Branch	2	13	9	7	6	6
	7,367	7,481	7,452	7,739	7,180	7,169
Warehouse borrowing program	1,312	1,067	-	-	-	-
Total self-supported debt	**8,679**	**8,548**	**7,452**	**7,739**	**7,180**	**7,169**
Forecast allowance	**-**	**-**	**-**	**-**	**100**	**-**
Total provincial debt	**33,788**	**36,082**	**36,877**	**37,767**	**39,395**	**35,826**

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2005 and to reflect changes in underlying data.

[2] Includes debt and guarantees incurred by the government on behalf of school districts, universities, colleges and health authorities/hospital societies (SUCH), and debt directly incurred by these entities.

[3] Effective April 1, 2003, the provincial coastal ferry system became independently operated by BC Ferry Services.

[4] In March 2002, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million) as Skeena Cellulose Inc. was sold to the private sector.

[5] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[6] A joint venture of the Columbia Power Corporation and Columbia Basin Trust. This debt has reverted to self-supported status.

[7] Includes other taxpayer-supported Crown corporations and agencies, student loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

[8] BC Rail debt was repaid after completion of the BC Rail investment partnership.

Table A2.19 Five-Year Provincial Debt Summary – Supplementary Information

	2000/01	2001/02	2002/03	2003/04	2004/05
Per Cent of GDP:			(per cent)		
Taxpayer-supported debt					
Provincial government direct	9.1	10.3	11.2	10.8	9.3
Education	4.2	4.4	4.4	4.5	4.4
Health facilities	1.5	1.5	1.6	1.5	1.3
Highways, ferries and public transit	3.2	3.5	3.5	3.4	2.9
Other debt	1.2	0.9	0.7	0.5	0.4
Total taxpayer-supported debt	19.1	20.5	21.3	20.6	18.3
Self-supported debt					
Commercial Crown corporations and agencies	5.6	5.6	5.4	5.3	4.6
Warehouse borrowing program	1.0	0.8	-	-	-
Total self-supported debt	6.6	6.4	5.4	5.3	4.6
Total provincial debt	**25.7**	**26.9**	**26.7**	**26.0**	**22.9**
Growth Rates:			(per cent)		
Taxpayer-supported debt					
Provincial government direct	-12.2	14.8	12.1	1.6	-7.7
Education	5.3	7.1	4.8	6.5	4.4
Health facilities	21.6	7.7	3.4	3.2	-4.7
Highways, ferries and public transit	20.2	10.7	3.2	2.0	-5.9
Other debt	19.7	-21.5	-23.0	-22.1	-7.8
Total taxpayer-supported debt	-0.4	9.7	6.9	2.0	-4.6
Self-supported debt					
Commercial Crown corporations and agencies	-6.9	1.5	-0.4	3.9	-7.4
Warehouse borrowing program	-0.6	-18.7	-100.0	-	-
Total self-supported debt	-6.0	-1.5	-12.8	3.9	-7.4
Total provincial debt	**-1.9**	**6.8**	**2.2**	**2.4**	**-5.1**
Per Capita Debt:			(dollars)		
Taxpayer-supported debt					
Provincial government direct	2,973	3,379	3,754	3,780	3,451
Education	1,351	1,433	1,488	1,571	1,623
Health facilities	477	509	522	533	503
Highways, ferries and public transit	1,038	1,138	1,163	1,175	1,095
Other debt	378	294	224	173	158
Total taxpayer-supported debt	6,217	6,752	7,151	7,232	6,830
Self-supported debt					
Commercial Crown corporations and agencies	1,824	1,834	1,811	1,864	1,709
Warehouse borrowing program	325	262	-	-	-
Total self-supported debt	2,149	2,096	1,811	1,864	1,709
Total provincial debt	**8,365**	**8,848**	**8,962**	**9,096**	**8,538**

Note: Totals may not add due to rounding.

Table A2.20 Capital Spending and Debt Update Since the Third *Quarterly Report*

($ millions)	Change	Final Results
Capital spending – third quarter updated forecast		**3,187**
Taxpayer-supported		
Education – increased spending for post-secondary education projects, partially offset by delayed construction of K-12 facilities	143	
Health – increased spending for health-care facilities	67	
BC Transportation Financing Authority – delayed spending	(66)	
Government operating – reduced ministry minor capital spending	(66)	
Other	13	**91**
Self-supported commercial		
BC Hydro – delayed spending for power projects	(69)	
Other	(27)	**(96)**
Capital spending – actual		**3,182**
Provincial debt at March 31, 2005 – third quarter updated forecast		**36,063**
Taxpayer-supported debt		
Provincial government operating – mainly assumption of certain capital-related debt issues for health facilities	306	
Health facilities – mainly transfer of certain capital-related debt issues to government operating	(281)	
BC Transportation Financing Authority – higher working capital requirements	74	
Social housing – reduced working capital requirements	(44)	
Other – higher working capital requirements	(11)	
Total taxpayer-supported		**44**
Self-supported commercial		
BC Hydro – higher working capital requirements	18	
Other	1	
Total self-supported		**19**
Debt forecast allowance not needed		**(300)**
Provincial debt at March 31, 2005 – 2004/05 *Public Accounts*		**35,826**

Table A2.21 Historical Operating Statement Surplus (Deficit)

($ millions)	Consolidated Revenue Fund Revenue	Expenditure	Balance	Crown Corporations and Agencies	SUCH Sector & Regional Authorities	Other Adjustments	Surplus (Deficit) [1]	Surplus (Deficit) as a Per Cent of GDP
1969/70	1,248	1,244	4	-	-	-	-	-
1970/71	1,373	1,274	99	-	-	-	-	1.0
1971/72	1,558	1,474	84	-	-	-	-	0.8
1972/73	1,772	1,675	97	-	-	-	-	0.8
1973/74	2,217	2,071	146	-	-	-	-	0.9
1974/75	2,769	2,779	(10)	-	-	-	-	(0.1)
1975/76	3,124	3,534	(410)	-	-	-	-	(2.1)
1976/77	3,785	3,691	94	-	-	-	-	0.4
1977/78	4,372	4,168	204	-	-	-	-	0.8
1978/79	4,853	4,582	271	-	-	-	-	0.9
1979/80 [1]	5,860	5,318	542	(88)	-	-	454	1.3
1980/81	5,982	6,239	(257)	45	-	-	(212)	(0.5)
1981/82	7,139	7,323	(184)	43	-	-	(141)	(0.3)
1982/83	7,678	8,662	(984)	(257)	-	-	(1,241)	(2.8)
1983/84	8,335	9,347	(1,012)	49	-	-	(963)	(2.0)
1984/85	8,807	9,801	(994)	172	-	-	(822)	(1.6)
1985/86	9,160	10,127	(967)	110	-	-	(857)	(1.6)
1986/87	9,463	10,624	(1,161)	526	-	-	(635)	(1.1)
1987/88	11,007	11,055	(48)	119	-	-	71	0.1
1988/89	12,570	11,834	736	194	-	-	930	1.3
1989/90	13,656	13,200	456	40	-	-	496	0.7
1990/91	14,236	15,010	(774)	107	-	-	(667)	(0.8)
1991/92	14,570	17,101	(2,531)	192	-	-	(2,339)	(2.9)
1992/93	16,172	17,858	(1,686)	210	-	-	(1,476)	(1.7)
1993/94	17,923	18,833	(910)	11	-	-	(899)	(1.0)
1994/95	19,506	19,953	(447)	219	-	-	(228)	(0.2)
1995/96	19,698	20,054	(356)	38	-	-	(318)	(0.3)
1996/97	20,126	20,241	(115)	(270)	-	-	(385)	(0.4)
1997/98	20,216	20,135	81	(248)	-	-	(167)	(0.1)
1998/99	20,312	20,528	(216)	(722)	(23)	-	(961)	(0.8)
1999/2000	21,849	22,161	(312)	405	23	-	116	0.1
2000/01	23,745	22,444	1,301	(70)	134	(52) [3]	1,313	1.0
2001/02	22,704	24,831	(2,127) [2]	(697) [2]	176	1,464 [3]	(1,184)	(0.9)
2002/03	21,999	25,130	(3,131)	(143)	537	-	(2,737)	(2.0)
2003/04	23,191	25,235	(2,044)	417	352	-	(1,275)	(0.9)
2004/05	27,309	26,043	1,266	914	395	-	2,575	1.6

[1] The provincial government began publishing summary financial statements in 1979/80. Figures for prior years are unavailable. For 1970/71 to 1978/79, the CRF balance is used in place of the summary accounts surplus/(deficit).

[2] Does not include the $256 million transfer to the CRF for the wind-up of Forest Renewal BC and Fisheries Renewal BC.

[3] Impact of move to joint trusteeship for public service pension plans.

Table A2.22 Historical Revenue by Source – Consolidated Revenue Fund [1]

Year	Taxation	Natural Resource	Other Revenue	Contributions from Government Enterprises	Contributions from the Federal Government	Total
			($ millions)			
1984/85	5,015	721	886	360	1,825	8,807
1985/86	5,237	704	965	398	1,856	9,160
1986/87	5,354	658	979	448	2,024	9,463
1987/88	6,200	1,223	1,060	470	2,054	11,007
1988/89	6,973	1,272	1,729	447	2,149	12,570
1989/90	8,095	1,249	1,464	727	2,121	13,656
1990/91	8,702	1,171	1,433	834	2,096	14,236
1991/92	8,997	1,101	1,573	701	2,198	14,570
1992/93	9,897	1,264	1,580	1,016	2,415	16,172
1993/94	11,101	1,772	1,733	1,048	2,269	17,923
1994/95	11,937	2,244	1,835	1,028	2,462	19,506
1995/96	12,509	2,026	1,801	968	2,394	19,698
1996/97	13,094	2,186	1,743	1,148	1,955	20,126
1997/98	13,103	2,197	1,799	1,280	1,837	20,216
1998/99	13,133	1,889	1,831	1,362	2,097	20,312
1999/2000	13,363	2,455	1,890	1,454	2,687	21,849
2000/01	13,881	3,750	1,863	1,500	2,751	23,745
2001/02	13,652	3,004	1,876	1,437	2,735	22,704
2002/03	11,846	3,196	2,164	1,517	3,276	21,999
2003/04	13,241	3,273	2,319	1,371	2,987	23,191
2004/05	14,284	3,937	2,426	2,100	4,562	27,309

[1] Revenue has been restated to reflect the government's accounting policy at March 31, 2005. Figures exclude dedicated revenue collected on behalf of, and transferred to, Crown corporations and agencies. These revenues are included as part of the operations of the Crown corporations and agencies. Figures are based on *Public Accounts* information.

Table A2.23 Historical Expense by Function – Consolidated Revenue Fund [1]

Year	Health	Social Services	Education	Transportation	Debt Servicing	Other [2]	Total
			($ millions)				
1984/85	3,042	1,266	2,455	1,263	275	1,500	9,801
1985/86	3,161	1,298	2,385	1,157	342	1,784	10,127
1986/87	3,446	1,298	2,495	905	384	2,096	10,624
1987/88	3,684	1,349	2,663	928	525	1,906	11,055
1988/89	4,012	1,440	2,920	844	530	2,088	11,834
1989/90	4,502	1,496	3,228	1,199	457	2,318	13,200
1990/91	5,028	1,669	4,113	1,188	478	2,534	15,010
1991/92	5,617	1,994	4,521	1,262	590	3,117	17,101
1992/93	6,003	2,366	4,804	1,078	736	2,871	17,858
1993/94	6,287	2,704	4,984	1,024	844	2,990	18,833
1994/95	6,584	2,890	5,252	907	931	3,389	19,953
1995/96	6,778	3,033	5,492	852	887	3,012	20,054
1996/97	7,038	2,969	5,750	844	867	2,773	20,241
1997/98	7,224	3,048	5,766	770	834	2,493	20,135
1998/99	7,478	3,113	5,773	790	859	2,515	20,528
1999/2000	8,019	3,093	5,922	1,697	835	2,595	22,161
2000/01	8,754	3,212	6,299	611	902	2,666	22,444
2001/02	9,838	3,368	6,808	701	769	3,347	24,831
2002/03	10,356	3,074	6,817	750	705	3,428	25,130
2003/04	10,627	2,781	6,813	819	708	3,487	25,235
2004/05	10,766	2,637	6,909	1,700	677	3,354	26,043

[1] Expense has been restated to reflect the government's accounting policy at March 31, 2005. Figures are based on *Public Accounts* information.

[2] Other includes: protection of persons and property, natural resources and economic development, general government and other expenses.

Table A2.24 Historical Provincial Debt Summary [1]

Year	Taxpayer-Supported Debt: Provincial Government Direct Operating	Education Facilities Capital Financing	Health Facilities Capital Financing	Highways, Ferries and Public Transit	Other [2]	Total Taxpayer-Supported Debt	Self-Supported Debt [3]	Total Provincial Debt	Total Debt as a Per Cent of GDP	Taxpayer-Supported Debt as a Per Cent of GDP
					(millions)				(per cent)	
1969/70	-	338	42	142	100	622	1,661	2,283	24.7	6.7
1970/71	-	362	64	172	99	697	1,808	2,505	25.6	7.1
1971/72	-	380	85	233	95	793	1,948	2,741	24.9	7.2
1972/73	-	408	105	288	87	888	2,062	2,950	23.8	7.2
1973/74	-	425	117	340	145	1,027	2,228	3,255	21.1	6.7
1974/75	-	485	133	386	149	1,153	2,650	3,803	21.3	6.5
1975/76	-	557	178	544	145	1,424	3,144	4,568	23.1	7.2
1976/77	261	658	236	649	188	1,992	3,787	5,779	24.4	8.4
1977/78	261	710	291	656	215	2,133	4,464	6,597	24.9	8.1
1978/79	261	778	334	653	91	2,117	4,838	6,955	23.3	7.1
1979/80	235	836	401	730	195	2,397	5,704	8,101	23.3	6.9
1980/81	209	919	461	729	270	2,588	5,956	8,544	21.6	6.5
1981/82	183	1,067	561	844	291	2,946	7,227	10,173	22.7	6.6
1982/83	883	1,204	660	1,024	894	4,665	7,692	12,357	27.4	10.4
1983/84	1,596	1,321	712	1,392	1,174	6,195	8,440	14,635	30.8	13.0
1984/85	2,476	1,308	717	691	1,276	6,468	9,082	15,550	31.2	13.0
1985/86	3,197	1,276	680	1,034	1,376	7,563	8,990	16,553	30.9	14.1
1986/87	4,802	1,268	681	1,097	812	8,660	8,485	17,145	30.3	15.3
1987/88	5,017	1,278	716	1,192	660	8,863	8,149	17,012	27.2	14.2
1988/89	4,919	1,322	763	1,213	842	9,059	7,396	16,455	23.7	13.1
1989/90	4,209	1,367	837	1,244	1,262	8,919	7,340	16,259	21.5	11.8
1990/91	4,726	1,565	959	1,287	1,281	9,818	7,444	17,262	21.8	12.4
1991/92	6,611	1,939	1,040	1,527	1,431	12,548	7,493	20,041	24.5	15.3
1992/93	8,969	2,426	1,141	1,719	1,641	15,896	7,526	23,422	26.8	18.2
1993/94	10,257	3,054	1,181	1,862	1,627	17,981	7,946	25,927	27.6	19.1
1994/95	10,181	3,631	1,318	2,158	1,749	19,037	8,013	27,050	26.9	18.9
1995/96	10,237	3,990	1,399	2,598	1,695	19,919	8,847	28,766	27.2	18.9
1996/97	11,030	4,230	1,431	3,144	1,440	21,275	8,096	29,371	27.0	19.5
1997/98	11,488	4,352	1,417	3,463	1,431	22,151	8,204	30,355	26.5	19.4
Information from 1998/99 onwards has been restated to include SUCH sector fiscal data.										
1998/99	12,056	4,799	1,406	3,641	1,330	23,232	8,910	32,142	27.8	20.1
1999/2000	13,675	5,184	1,584	3,487	1,276	25,206	9,232	34,438	28.5	20.8
2000/01	12,007	5,458	1,926	4,191	1,527	25,109	8,679	33,788	25.7	19.1
2001/02	13,779	5,843	2,075	4,639	1,198	27,534	8,548	36,082	26.9	20.5
2002/03	15,447	6,124	2,146	4,786	922	29,425	7,452	36,877	26.7	21.3
2003/04	15,694	6,521	2,215	4,880	718	30,028	7,739	37,767	26.0	20.6
2004/05	14,481	6,809	2,112	4,593	662	28,657	7,169	35,826	22.9	18.3

[1] Debt is after deduction of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for 1998/99 onwards have been restated to conform with the presentation used for 2005 and to reflect changes in underlying data.

[2] Includes BC Buildings, BC Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and loan guarantee provisions.

[3] Includes commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

Table A2.25 Provincial Taxes (as of June 2005)

Type and Statute Reference	Tax Base	Tax Rate	Characteristics and Exemptions
Income — *Income Tax Act*	Taxable Income (1) Corporate.	13.5% of taxable income (small business rate: 4.5%).	The Canada Revenue Agency administers BC's personal and corporate taxes under an agreement between the province and the federal government. Corporate tax credits include the scientific research and experimental development tax credit, book publishing tax credit and the film tax credit. In addition, the political contributions tax credit, royalty tax credit, the mining exploration tax credit, logging tax credit and venture capital tax credits are available to both individuals and corporations.
	(2) Personal.	Tax rates of 6.05%, 9.15%, 11.7%, 13.7% and 14.7% corresponding to tax brackets of up to $33,061, $33,061 to $66,123, $66,123 to $75,917, $75,917 to $92,185 and over $92,185.	BC provides a set of non-refundable credits equivalent to all federal non-refundable credits. BC Family Bonus and BC Earned Income Benefit are combined with the federal government's Canada Child Tax Benefit in a single monthly payment to families. Tax credits for claims against personal income taxes include the refundable sales tax credit, mining flow-through share tax credit and employee venture capital tax credits.
Capital — *Corporation Capital Tax Act*	Net BC paid-up capital.	Banks, trust companies and credit unions with net paid-up capital: greater than $1 billion — 3%; $1 billion or less or headquartered in British Columbia 1%.	Associated groups of corporations with net paid-up capital of less than $10 million are exempt from the tax. The tax rate is phased in for corporations with net British Columbia paid-up capital between $10 million and $10.25 million. There is a special flat fee for corporations above the exemption threshold but with net paid-up capital allocated to British Columbia below the threshold.
Real Property Transfers — *Property Transfer Tax Act*	Fair market value of property or interest in property transferred for presold strata units purchased at arm's length, total consideration for the strata unit.	1% on the first $200,000 of value transferred and 2% on amounts in excess of $200,000.	Exemptions include: transfers of principal residences, recreational residences and family farms to related individuals; transfers of property between spouses pursuant to written separation agreements or court orders; transfers of property to local governments, registered charities and educational institutions; transfers of property to veterans under the *Veterans' Land Act* (Canada); transfers of land to be protected, preserved, conserved or kept in a natural state; and transfers of leases less than 31 years in duration. A number of technical exemptions are also provided. Eligible first time home-buyers are exempt from tax on transfers of eligible properties.
Retail Sales — *Social Service Tax Act*	Purchase and lease price of tangible personal property, repair labour and legal services.	General rate is 7%. Liquor 10%. Passenger vehicles: under $49,000 — 7%; $49,000 to $50,000 — 8%; $50,000 to $51,000 — 9%; over $51,000 — 10%.	Collected through vendors and lessors registered under the act and paid by purchasers and lessees. The exemptions generally fall into four categories: (1) items considered to be basic necessities of life such as food and prescription and non-prescription drugs; (2) specified inputs for certain sectors to enhance competitiveness such as the exemption for machinery and equipment used in manufacturing and in the natural resource industries and the exemption of specified equipment used by *bona fide* farmers, fishers and aquaculturists; (3) safety-related equipment designed to be worn by a worker, such as high-visibility vests and steel-toed boots, and specified general safety equipment such as life jackets; (4) energy conservation materials and equipment such as insulation material for buildings, and eligible wind, solar and micro-hydro equipment.
Accommodation — *Hotel Room Tax Act*	Purchase price of accommodation.	8%. Local governments may apply to have the province levy an additional tax of up to 2% on their behalf.	Exemptions include accommodation rented for a period in excess of two months; lodging provided in hospitals and nursing homes; lodging supplied to employees by employers; lodging in industrial camps; lodging on ships or trains; hotel rooms not used for accommodation; charges of $20 or less per day; charitable institutions; trailer parks and campsites; cabins without utilities and other amenities; and establishments with accommodation for less than four tenants.

Table A2.25 Provincial Taxes (as of June 2005) — Continued

Tobacco — *Tobacco Tax Act*	By cigarette, cigar retail price, and weight on other tobacco products.	17.9 cents per cigarette and tobacco stick; 77% of retail price on cigars to a maximum tax of $5 per cigar; 17.9 cents per gram of loose tobacco.	
Motor Fuel — *Motor Fuel Tax Act*			Tax generally applies to all fuels used in internal combustion engines. Qualifying persons with disabilities who own or lease a vehicle are entitled to refunds of provincial tax paid up to an annual maximum of $500. In the Vancouver Regional Transit service area the province collects an additional 6 cents per litre tax on clear gasoline and motive fuel on behalf of *TransLink* to help fund regional public and private transportation system costs. In the Victoria Regional Transit service area the province collects an additional 2.5 cents per litre on behalf of BC Transit to help fund the public transit system.
	Clear gasoline (unleaded gasoline only).	14.5 cents per litre. Includes 6.75 cents per litre collected on behalf of the BC Transportation Financing Authority. Of the tax collected in the Greater Vancouver Regional District, 6 cents is collected on behalf of *TransLink*.	
	Motive fuel.	15.0 cents per litre. Includes 6.75 cents per litre collected on behalf of the BC Transportation Financing Authority. Of the tax collected in the Greater Vancouver Regional District, 6cents is collected on behalf of *TransLink*.	Tax applies to diesel fuel or a combination of fuels including diesel fuels, but does not include alternative motor fuels or coloured fuels. Refunds of 0.5 cents per litre are available for motive fuel used in private passenger vehicles.
	Alternative motor fuels.	Propane 2.7 cents per litre.	Natural gas and 85% methanol blends are exempt from tax. Ethanol is exempt from tax when blended with gasoline or diesel fuel if the ethanol portion is at least 5% but less than 25%. Biodiesel is exempt from tax when blended with diesel fuel if the biodiesel portion is at least 5% and not more than 50%.
	Coloured fuel, marine diesel fuel.	3 cents per litre.	Coloured fuel may only be used for specified primary production and industrial uses. *Bona fide* farmers are exempt from paying the tax when fuel is used for farming purposes.
	Locomotive fuel.	3 cents per litre.	Tax applies to fuel specifically for use in locomotives.
	Jet and aviation fuel.	2 cents per litre.	Jet fuel tax applies to fuel produced specifically for use in a turbine aircraft engine. Aviation fuel tax applies to fuel produced specifically for use in a non-turbine aircraft engine.
	Natural gas used in stationary engines.	7% of price if purchased. 1.1 cents per 810.32 litres if used but not purchased.	Tax applies to natural gas used in stationary engines other than pipeline compressors.
	Natural gas used in pipeline compressors to transmit marketable gas.	1.9 cents per 810.32 litres.	Tax applies to natural gas used in a stationary engine at a pipeline compressor station.
	Natural gas used in pipeline compressors to extract and transmit raw gas from wells to processing plants.	Exempt	
	Natural gas used in compressors to re-inject sour gas into depleted wells.	Exempt.	
	Marine bunker.	Exempt	Exemption applies to bunker fuel, or a combination of bunker and other fuels used as fuel in a ship.
	Marine gas oil.	Exempt	Exemption applies to marine gas oil when used in primary gas turbine engines to propel passenger and cargo vessels.

Table A2.25 Provincial Taxes (as of June 2005) — Continued

Natural resources — *Logging Tax Act*	Net income from logging in BC.	10% (fully recoverable against federal and provincial corporation and personal income tax).	Net income from logging after deducting non-forestry income and a processing allowance.
— *Mineral Land Tax Act*	Assessed value of freehold mineral land and production areas.	Undesignated mineral land — $1.25 to $4.94 per hectare. Designated production areas — $4.94 per hectare.	Rates of tax set on sliding scale, dependent on size and designation of land.
— *Mineral Tax Act*	Cash flow from individual metal and coal mines (other than placer gold mines).	2% of net current proceeds (NCP). 13% of net revenue (NR).	Tax calculated on a mine-by-mine basis. NCP tax paid on current operating cash flow until all current and capital costs, plus any investment allowance, are recovered. NR tax paid thereafter on cumulative cash flow. NCP tax creditable against NR tax.
	Volume of production of limestone, dolomite, marble, shale, clay, volcanic ash, diatomaceous earth, sandstone, quartzite and dimension stone.	$0.15 per tonne removed from all quarries operated.	An operator may deduct 25,000 tonnes from the total number of tonnes removed from all quarries operated by that operator. However the amount deducted from any one quarry by all operators of that quarry must not exceed 25,000 tonnes.
	Value of minerals sold by placer gold mines.	0.5% of value of minerals sold.	
Insurance — *Insurance Premium Tax Act*	Direct premiums written.	4.4% for vehicle and property insurance; 2% for life, sickness, personal accident and loss of salary and wages insurance and 4 percent for other insurance.	Exemptions — benefit societies; mutual corporations with 50% of income from farm or 100% from religious, educational or charitable institutions; marine, except pleasure craft; approved medical or hospitalization plans.
Real property — *Taxation (Rural Areas) Act*	Assessed value of land and improvements in rural areas (outside municipalities). Assessment determined under the *Assessment Act*.	Rates are set annually as a percentage of assessed value. For residential properties the rates are set to increase average residential rural taxes by the rate of inflation. For 2005, the rates are set so that total non-residential rural tax revenues increase by inflation plus new construction. For 2005, the rates are 0.05% for farms and managed forest land; 0.081% for residential; 0.164% for recreational property non-profit organizations; 0.36% for light industry, business and other property not contained in any other class; 0.418% for utilities; 0.45% for major industry.	Some exemptions apply under various statutes.
Residential school tax — *School Act*	Assessed value of residential land and improvements. Assessment determined under the *Assessment Act*.	Rates are set annually to increase average gross residential taxes by the rate of inflation. The rates vary by school district. For 2005 rates range from about 0.189% to 0.9%; weighted average 0.28%.	Basic rates are calculated using a formula to moderate effects of varying average assessments on school district taxes. School districts may levy additional tax if authorized by local referendum. Amendments to the School Act in 2002 allow the Minister of Finance to apply different tax rates within a school district. Tofino is the only municipality with a rate that differs from the rest of the school district.
Non-residential school tax — *School Act*	Assessed value of non-residential land and improvements. Assessment determined under the *Assessment Act*.	Rates are set annually. For 2005, the rates are set so that total non-residential school tax revenues increase by inflation plus new construction. For 2005 the rates are 0.45% for recreational property non-profit organizations; 0.23% for managed forest land; 0.68% for farms; 0.96% for light industry, business and other property not contained in any other class; 1.25% for major industry; 1.49% for utilities.	Some exemptions apply under various statutes.

Table A2.26 Interprovincial Comparisons of Tax Rates – 2005 (Rates known as of June 30, 2005) [1]

Tax	British Columbia[2]	Alberta	Saskat-chewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
Corporation income tax (per cent of taxable income) [3]										
General Rate	13.5	11.5	17	15	14	8.9/16.25	13	16	16	14
Manufacturing Rate	13.5	11.5	10	15	12	8.9	13	16	7.5	5
Small Business Rate	4.5	3	5	5	5.5	8.9	2.5	5	7.5	5
Small Business Threshold ($000s)	400	400	300	400	400	n/a	425	300	300	300
Corporation Capital Tax [4]										
Non-financial	*Nil*	*Nil*	.6	.3/.5	.3	.6	.3	.25/.5	*Nil*	*Nil*
Financial	1.0/3.0	*Nil*	.7/3.25	3.0	.6/.72/.9	1.2	3.0	3.0	3.0	4.0
Health Care Premiums [5]										
Individual/family	54/108	44/88	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*
Payroll tax [6] (per cent)	*Nil*	*Nil*	*Nil*	2.15	1.95	4.26	*Nil*	*Nil*	*Nil*	2.0
Insurance premium tax (per cent) [7]	2-4.4	2-3	3-4	2-3	2-3.5	2-3	2-3	3-4	3.5	4
Fuel tax (cents per litre)										
Gasoline [8]	14.5	9.0	15.0	11.5	14.7	19.2	14.5	15.5	20.0	16.5
Diesel	15.0	9.0	15.0	10.9	14.3	20.2	16.9	15.4	20.0	16.5
Sales tax (per cent)										
General rate	7	*Nil*	7	7	8	7.5	8	8	10	8
Liquor	10	*Nil*	10	7	12	7.5	8	8	37.5	8
Meals	*Nil*	*Nil*	*Nil*	7	8	7.5	8	8	10	8
Accommodation	8	5	7	7	5	7.5	8	8	10	8
Tobacco tax (dollars per carton of 200 cigarettes) [9]	35.80	32.00	39.20	39.90	23.45	20.60	28.10	36.30	34.90	37.30

[1] Rates shown are those known as of June 30, 2005 and that are in effect for 2005.

[2] British Columbia rates are those announced in the February 15, 2005 Budget.

[3] Manitoba has announced a reduction in its small business rate to 4.5 per cent and its general rate to 14.5 per cent in 2006. New Brunswick's small business rate is reduced to 2 percent and the small business threshold is increased to $450,000 effective July 1, 2005; to 1.5 percent and the small business threshold is increased to $475,000 effective July 1, 2006; and to 1 percent and the small business threshold is increased to $500,000 effective July 1, 2007.

[4] Ontario has a deduction of $7.5 million for all corporations; Manitoba has a $5 million deduction and the higher rate applies to corporations with taxable capital in excess of $10 million; Saskatchewan has a $10 million deduction; Quebec has a $600,000 deduction. Large Saskatchewan resource corporations are assessed a surcharge on the value of Saskatchewan resource sales. Ontario and Quebec have an additional surcharge or compensation tax on financial institutions.

[5] British Columbia has a two-person rate of $96. British Columbia and Alberta offer premium assistance in the form of lower rates or an exemption from premiums for lower income individuals and families.

[6] Provinces with payroll taxes provide payroll tax relief for small businesses.

[7] The lower rate applies to premiums for life, sickness and accident insurance; the higher rate applies to premiums for property insurance including automobile insurance. In Ontario, Quebec and Newfoundland specific sales taxes also apply to insurance premiums, except those related to individual life and health.

[8] Tax rate is for regular fuel used on highways. The British Columbia rate includes 6.75 cents per litre dedicated to the BC Transportation Financing Authority. The rates do not include regional taxes. The Quebec and Prince Edward Island rates include estimated sales tax.

[9] Includes estimated provincial sales tax where applicable.

Table A2.27 Summary of Major Tax Changes Announced in 2005

Income Tax Act

- The BC Tax Reduction, a non-refundable personal income tax credit, was introduced effective January 1, 2005.
- The Mining Exploration Tax Credit was extended to 2016.
- The Film Incentive BC tax credit was increased to 30 per cent from 20 per cent and the Production Services Tax Credit is increased to 18 per cent from 11 per cent.
- The corporate income tax small business threshold was increased to $400,000 from $300,000 effective January 1, 2005.

Medicare Protection Act

- The Medical Services Plan Premium Assistance program is enhanced.

Social Service Tax Act

- The provincial sales tax rate was reduced to 7 per cent from 7.5 per cent effective October 21, 2004.
- Effective February 16, 2005, tax refunds for alternative fuel vehicles were enhanced and converted to point of sale tax reductions. The increased tax reduction for hybrid passenger vehicles was phased out over 2 years beginning on April 1, 2008.
- A time limited exemption for energy efficient ENERGY STAR Qualified residential furnaces, boilers and air and ground source heat pumps was introduced.
- The passenger vehicle surtax threshold was increased to $49,000 from $47,000.

Insurance Premium Tax Act

- A tax exemption for health care insurance premiums received by non-profit extra-provincial health insurance corporations for medical service and health care plans contracted with BC residents was introduced retroactive to January 1, 1997.

Home Owner Grant Act

- The threshold value at which the home owner grant begins to be phased out was increased to $635,000 from $585,000 beginning in the 2005 tax year. The rate at which the grant is phased out was reduced to $5 from $10 for each $1,000 of assessed value above the threshold.

School Tax Act

- Effective for 2005, the government introduced an exemption from school tax for specified improvements of eligible hydroelectric projects that began production after December 31, 2001. Eligible projects are run-of-river projects that have a long-term contract to sell energy to BC Hydro signed before January 1, 2005 and hydroelectric power projects that have EcoLogo™ certification under the Government of Canada's Environmental Choice™ program.

Property Transfer Tax Act

- Effective for registrations after February 15, 2005, the fair market value threshold for eligible residential property under the First-Time Home Buyers' program was increased to $325,000 from $275,000 in the Greater Vancouver Regional District, the Capital Regional District and the Fraser Valley Regional District and to $265,000 from $225,000 in the rest of the province.

Appendix 3
Constitutional Framework

Constitutional Framework

The structure of the British Columbia government is based on British parliamentary tradition and precedent. Prior to 1866, BC was composed of two British-controlled Crown colonies, one on Vancouver Island and a second on the mainland. In 1866, the *Union Proclamation* joined these two colonies to form the Crown Colony of British Columbia, and on July 20, 1871, BC entered into Confederation with Canada. Although the Colony of Vancouver Island had a parliamentary form of government as far back as 1856, the first fully elected government was not instituted in BC until the autumn after Confederation with Canada. Responsible government was achieved in late 1872, when the Lieutenant Governor acquiesced to an executive council that was responsible to the legislative assembly.

Upon entering Confederation, BC came under the authority of the *British North America Act, 1867 (BNA Act)*, a statute of the British parliament. Until 1982, the *BNA Act* defined the major national institutions and established the division of authority between the federal and provincial governments. In 1982, the *BNA Act* was renamed the *Constitution Act, 1867* and its amendments were incorporated into the *Constitution Act, 1982*. The *Constitution Act, 1982*, which also includes the Canadian Charter of Rights and Freedoms, is companion legislation to the *Canada Act, 1982*. With the passage of the *Canada Act, 1982*, the British Parliament ended its legal right to legislate for Canada. Canada, as a federal state, divides legislative powers between the federal and provincial governments.

Provincial Government

BC's government is modeled after the British system. Functionally there are three main branches: the legislature, the executive and the judiciary.

Legislature

Legislative powers in British Columbia are exercised by a single legislative chamber, which is elected for a term of four years. BC, the first province in Canada to legislate fixed election dates, requires an election on the second Tuesday in May every four years. An election may also be called if the government loses a vote of confidence in the legislative assembly.

The legislature consists of the Lieutenant Governor and 79 elected members of the legislative assembly. The legislative assembly represents the people of BC in the conduct of the province's affairs. The assembly is required by law to meet at least once a year with a normal session lasting several months. However, special sessions can last just a few days or many months, depending on the nature of the government's business.

The legislature operates on a fixed schedule – the second Tuesday in February each year is reserved for the Throne Speech and the third Tuesday in February each year is reserved for the Budget Speech.

Executive

The executive is composed of the Lieutenant Governor and the executive council. The Lieutenant Governor, the Queen's representative in British Columbia, holds a largely ceremonial place in the modern provincial government. By constitutional custom, the Lieutenant Governor is appointed by the Governor General of Canada for a term usually lasting five years.

The Lieutenant Governor, on the advice of the premier, appoints members of the executive council and is guided by the executive council's advice as long as it holds the confidence of the legislative assembly. Following a general election, the Lieutenant Governor calls upon the leader of the political party with the largest number of elected members to serve as premier and to form the provincial government.

The Lieutenant Governor, on recommendation of the premier, convenes, prorogues and dissolves the legislative assembly and gives Royal Assent to all measures and bills passed by the assembly before they become law.

The executive council, or cabinet, is headed by the premier and is composed of selected members of the ruling party. Ministers are the head of government ministries, and are usually members of cabinet.

Cabinet determines government policy and is held responsible by the legislative assembly for the operation of the provincial government. Deputy ministers are the chief operating officers of ministries and are appointed by cabinet. Deputy ministers are responsible for carrying out government policies and for managing the work of their ministries.

Judiciary

The judiciary performs functions that are central to the orderly operation of society. Judges hear and give judgment in criminal prosecutions and in actions arising from disputes between private citizens or between the government and private citizens. Judges apply both judge-made law, known as "common law," and laws made by the Parliament of Canada and provincial legislatures. The judiciary is increasingly called on to determine whether laws passed by governments conform to the values expressed in the Canadian Charter of Rights and Freedoms.

BC's judicial system is made up of the Provincial Court of British Columbia, the Supreme Court of British Columbia and the Court of Appeal of British Columbia. The Provincial Court includes Small Claims, Adult Criminal, Youth and Family divisions. The provincial government appoints Provincial Court judges, and the federal government appoints Court of Appeal and Supreme Court judges.

The federal judicial system includes the Tax Court of Canada, the Federal Court of Canada (Appeals division and Trial division) and the Supreme Court of Canada. The Federal Court of Canada hears cases in limited areas

of exclusively federal jurisdiction, for example, reviewing decisions made by federal tribunals such as the Canada Labour Relations Board. The Supreme Court of Canada is the court of final resort and hears selected appeals from the Federal Court of Appeal and provincial Courts of Appeal.

Provincial Government Jurisdiction

Under Canada's constitutional framework, BC has ownership and jurisdiction over natural resources and is responsible for education, health and social services, municipal institutions, property and civil rights, the administration of justice and other matters of purely provincial or local concern.